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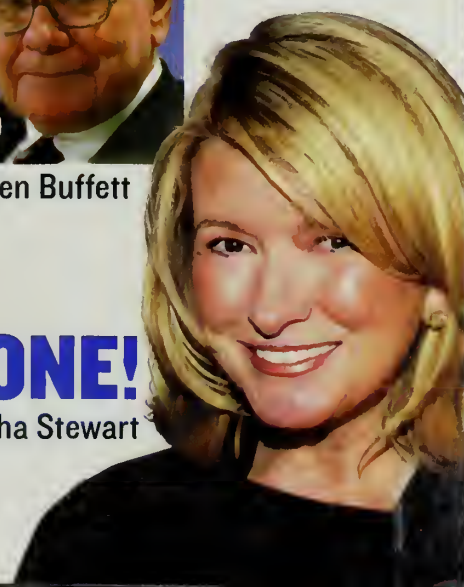
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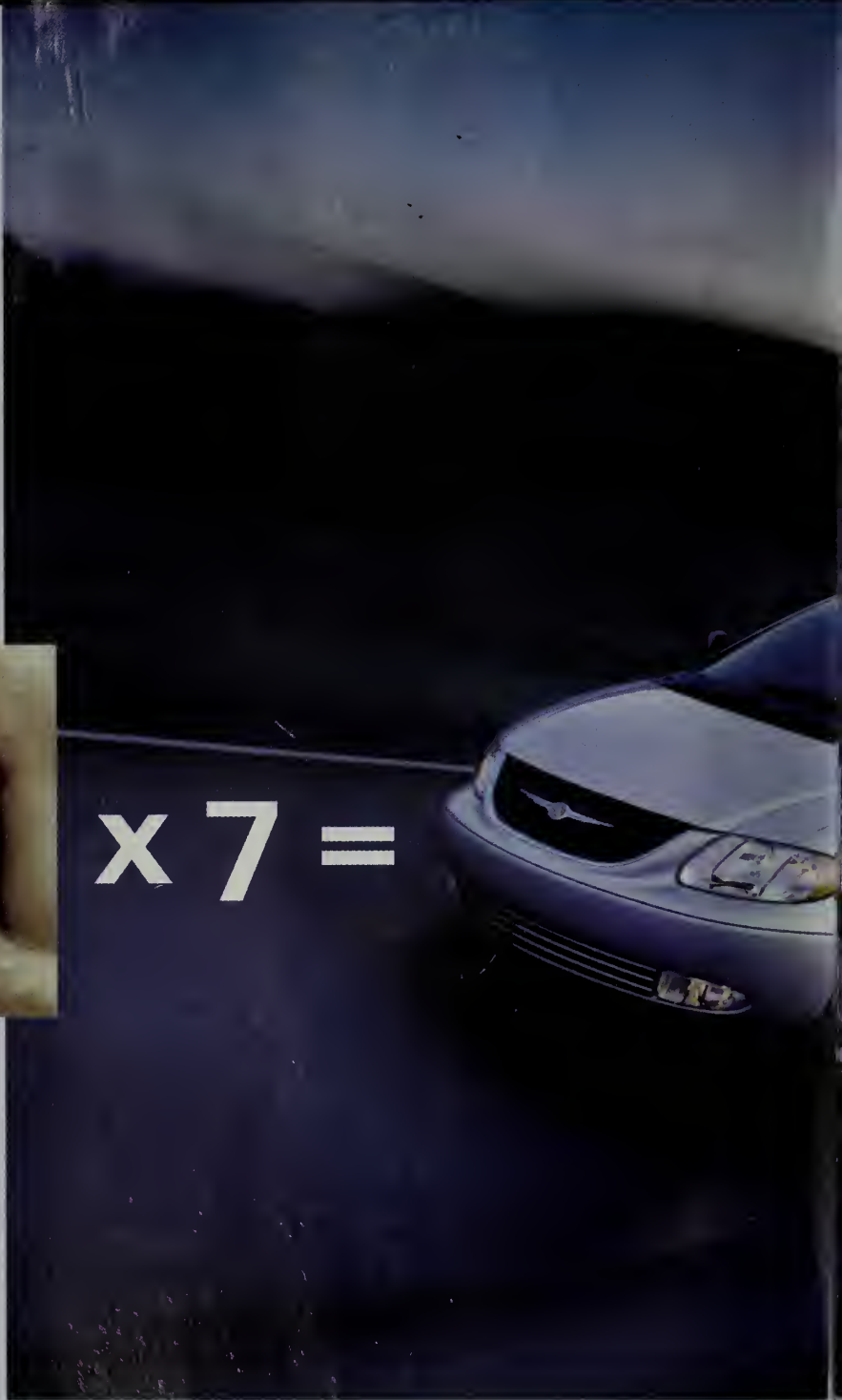
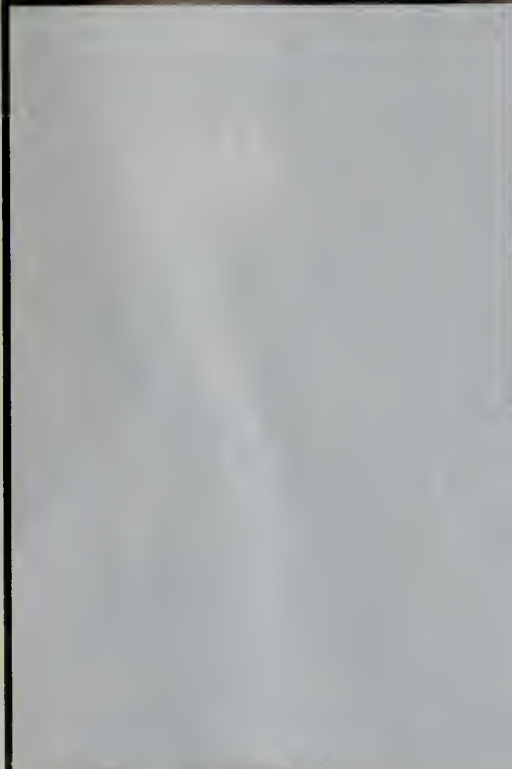
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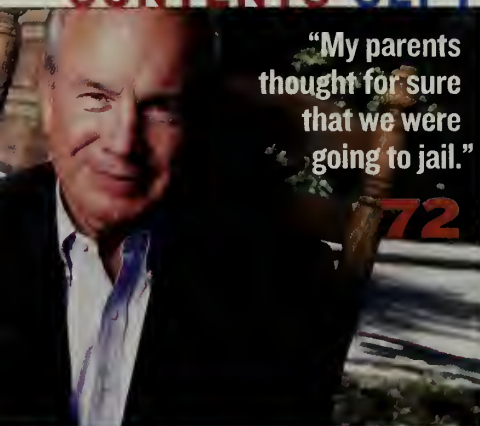


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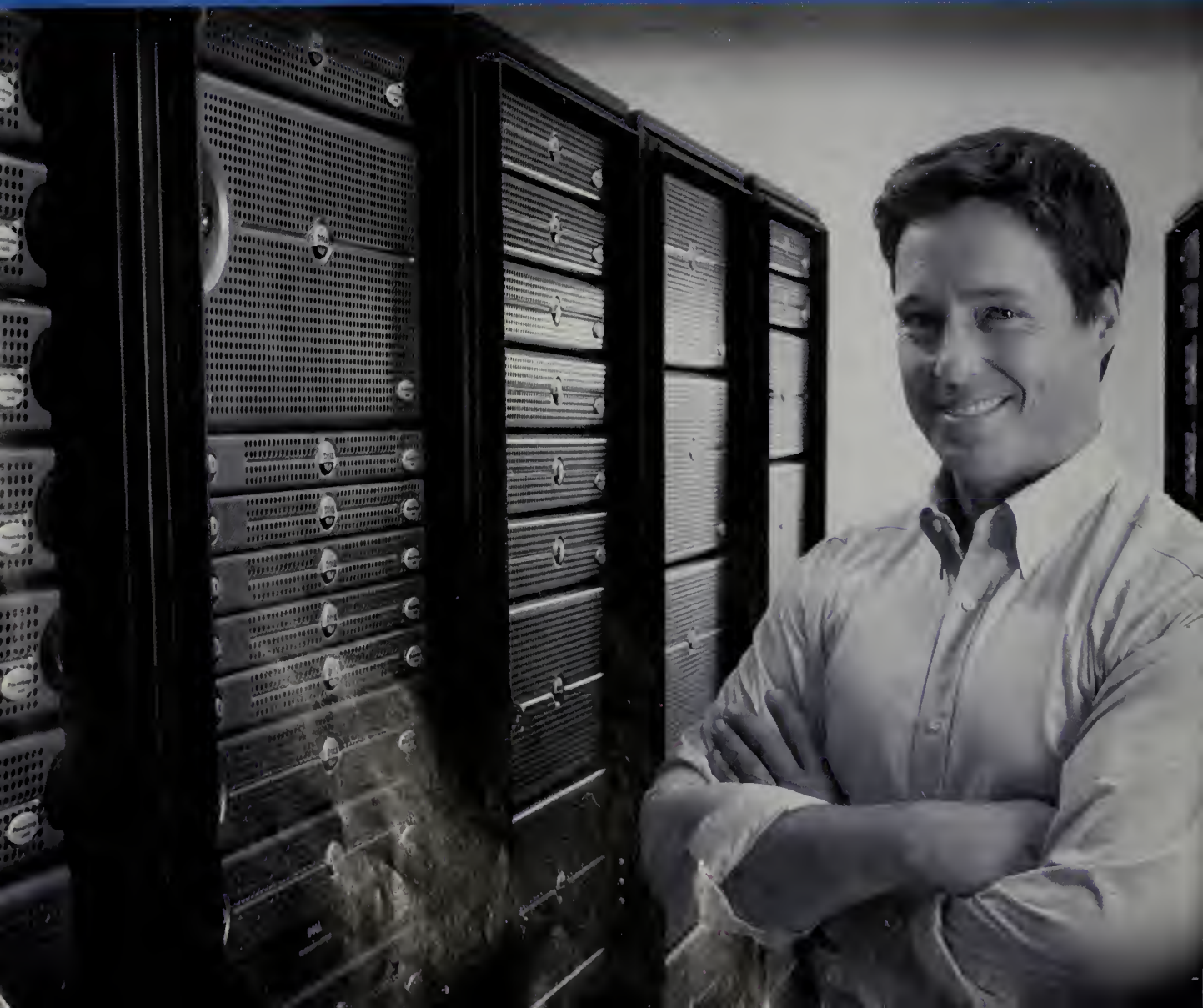
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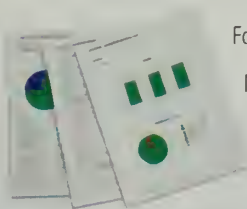
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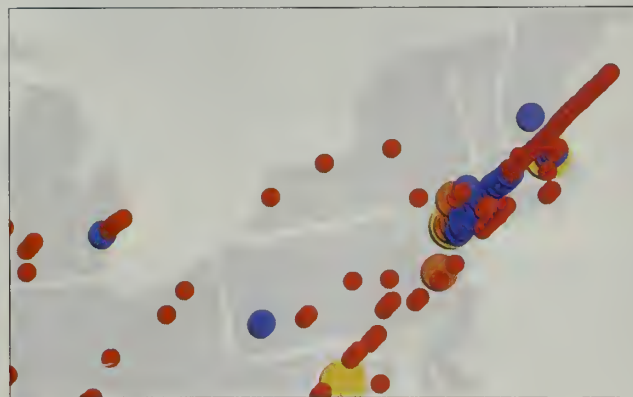
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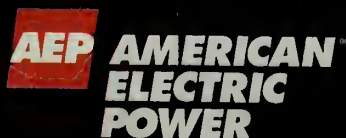


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SIDE LINES

When Ducks Trample Your Liberties William

P. Barrett's history of the Forbes rich list (see p. 80) describes two competing philosophies of wealth. One holds that it is not such a bad thing that much of humanity is engaged in a feverish accumulation of property or that certain characters have accumulated an awful lot of it. In other words, don't be envious: Some of Bill Gates' money will rub off on the rest of us.

The other philosophy holds that capital is the root of all evil, and that rich people should be slapped around a little. This philosophy is behind some of the great political movements of the past century. For the U.S.' own little exercise in totalitarianism, see Barrett's Informer (p. 58), wherein he and Carrie Coolidge tabulate prominent people defending charges of wetlands violations. Here, the government is pursuing property owners for using their own property, e.g., to grow cranberries.

Count me in the first camp. History teaches us that both prosperity and freedom hang on a respect for property rights. I think the wetlands owners should get apologies and a refund of their fines.

With this much of the environmentalists' creed I agree: The 106 million acres of wetlands in the lower 48 states are a precious resource. Alas, budgets are tight. So the environmentalists have come up with an ingenious way to acquire critical land, with no outlay: Just confiscate it. In these takeovers no deed changes hands. Rather, the Environmental Protection Agency creates a de facto wildlife sanctuary on private land by saying that the ducks on it must not be disturbed. If the land coveted by the EPA is dry, a different statute is cited, and different birds (spotted owls) are sent in as an occupation force. The effect, in either case, is to increase the public's land holdings. For free.

Habitat preservation is a good thing, but are wetlands regulations and the Endangered Species Act the best ways to go about it? Are circumstances so constrained in Washington that we must borrow our law of land-use control from Robert Mugabe and Stalin?

Let's have the government expand its wildlife preserves with acreage honestly paid for. Indeed, let's enshrine this new principle—that the government should purchase, not seize, land for the common good—in a constitutional amendment. Possible wording: "Nor shall private property be taken for public use, without just compensation." Does such a radical proposal stand a chance?

William Baldwin
EDITOR

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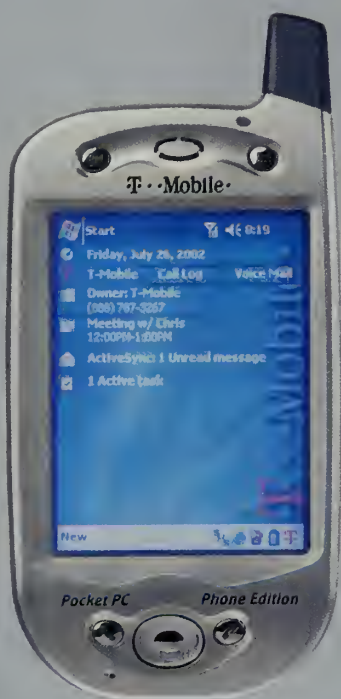
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READERS SAY

Mutual Interests

I read "Mutual Back-Scratching" (*Sept. 16, p. 126*), particularly noting the dismissal of the crucial role independent mutual fund directors fill in protecting the interests of mutual fund shareholders. Others have more confidence in mutual fund governance. New federal corporate reforms are modeled in part on mutual fund governance standards. The New York Stock Exchange's recent recommendations would require boards of NYSE-listed companies to have a majority of independent directors and require independent directors to be responsible for nominating candidates for boards—most of which are modeled after similar standards for mutual funds. Mutual funds have for more than 60 years successfully avoided major scandal, a record without peer in the world of financial services. Independent directors have contributed significantly to this achievement.

MATTHEW P. FINK
President,
Investment Company Institute
Washington, D.C.

The Taxman

I suggest the Internal Revenue Service treat the ultraintense audits described in "A Knock at the Door" (*Sept. 2, p. 54*) like the market research they appear to be. Pay the participants, and perhaps give them a pass on penalties, too. The government may get better information this way.

ROB SLOCUM
Stamford, Conn.

Taxing Torts

Three cheers to "Who Gave Lawyers a Pass?" (*Aug. 12, p. 58*). How much longer will our country allow this legal blackmail? The practice of law is just a business, but with one mighty exception: We have allowed lawyers privileges and advantages not shared by the rest of us. How well they know that just the threat of taking someone to court can get that person to settle just to avoid great expense and aggravation.

L.L. WEST
Dallas, Tex.



Currency Conversion

"Visa's Vision" (*Sept. 16, p. 78*) correctly states that the Federal Reserve makes a large profit every year by printing paper money, which is, after all, interest-free debt. However, the statement that the Fed gained a monopoly over this lucrative business in 1971, while technically correct, misses the point. From 1861 until 1971 the U.S. Treasury issued notes, which also generated large annual profits for the federal Treasury. After the establishment of the Federal Reserve in 1913, Federal Reserve notes circulated alongside these U.S. notes until the Treasury phased out U.S. notes in 1971.

RAY SQUITIERI
Chevy Chase, Md.

No Terrorist Connection

"From Rocks to Riches" (*Aug. 12, p. 101*) repeats the erroneous rumor that the tanzanite trade was involved with al Qaeda. The State Department, the government of Tanzania, the American Gem Trade Association and a coalition of all major stakeholders in the tanzanite trade have repeatedly shown there is not, and has not been, any connection between tanzanite and terrorist organizations.

RICK KREMENTZ
Newark, N.J.



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Accounting Treatment

Regarding "Accounting in the Danger Zone" (Sept. 2, p. 138): What am I missing? Are companies not supposed to deal with related parties? Are the transactions not disclosed? If you do not like the way they are disclosed, how would you represent them in the accounts?

R.L. PROMBOIN
Vienna, Va.

Industry Standards

"Title Fight" (Sept. 2, p. 46) promotes an illegal form of alternative title insurance offered by Radian Guaranty for refinance transactions. Eight states have already stopped Radian from selling this product because it is not properly licensed to sell title insurance. Put simply, the reserves required for mortgage guarantee insurers do not take into account the potential risks of title insurance.

By using the Radian product, it is consumers who lose the broad protection provided by title insurance; consumers who incur personal liability if they make an error on the borrower's affidavit that Radian requires them to sign; consumers who lose the benefit of title corrections performed through traditional title search processes; and consumers who may end up paying the cost to defend against a title claim. In most regions throughout the country refinance title insurance is the same or less expensive than Radian's product. Given this fact, and the fact that title insurance is not usually needed for home equity loans or second mortgages, there is no way that consumers could possibly save the \$3 billion that Radian claims.

JAMES R. MAHER
Executive Vice President,
American Land Title Association
Washington, D.C.

Diluting Options

I was disappointed to see that your publication has jumped on the stock option expensing bandwagon with "An Option to Do Nothing" (Sept. 2, p. 45). It certainly makes sense that companies are providing something of value when they

READERS SAY

grant stock options, otherwise recipients wouldn't accept them and they wouldn't have become so popular. But it is a non sequitur that the value of the options, however determined, should therefore be represented in the income statement of the company. The value transfer in the granting of stock options occurs between existing shareholders and the recipient of those options. Option grants dilute the distribution of income to individual shareholders; they do not diminish the income of the entire corporate entity itself.

RICHARD C. BAREK
Dedham, Mass.

Invasive Surgery

Though "Back Break" (Aug. 12, p. 123) provides a very useful summary of surgical treatments available for back pain, the article failed to note that in at least 80% of patients with chronic back pain there is no clearly identifiable etiology. Multiple studies have shown that even when there are abnormalities on diagnostic tests, there is often no correlation between these changes and the presence and level of pain. Surgery certainly can provide relief to many patients, but conservative treatment modalities should also always be considered before proceeding to invasive techniques.

STEVEN A. KING, M.D.
New York, N.Y.

Missing Persons Report

"The Coldest IPO" (Sept. 2, p. 50) misidentified Arnold Lippa as president of DOV Pharmaceutical. Lippa is the chief executive officer of the company. The photo accompanying the story was of Bernard Beer, president of DOV Pharmaceutical. The photo caption misidentified Beer as Arnold Lippa.

In the photo accompanying the story "The Non-Janus" (July 22, p. 190), we should have identified John Sykora as the man on the left and Bruce Wimberly as the man on the right.

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FACT AND COMMENT

By Steve Forbes, EDITOR-IN-CHIEF

"With all thy getting get understanding"



A Reminder to Public Sector Pooh-Bahs

THANKS TO CORPORATE SCANDALS AND A LONG-LASTING BEAR market, the words "wealth" and "rich" are now considered somewhat disreputable by our mass media, not to mention Washington and America's cultural elite. Get over it, guys. Fraud is, and always has been, wrong and should be punished. But progress—a growing standard of living and more and better career opportunities for more people—will be greatly damaged if pols, judges and bureaucrats make risk-taking—starting businesses, expanding existing ones and attempting to create new products and services—

a source of lucrative lawsuits for trial lawyers and of vote-catching, power-enhancing headlines for government officeholders.

The reality is that most startups fail; we've had some 300 auto manufacturers in the last century. In the best of circumstances, most breakthrough technologies go through painful, often painfully expensive, learning curves before they reach fruition. But if politicians try to punish success (e.g., Microsoft), as well as honest failure, then we and the world will be infinitely the poorer for it.

Resurrecting Telecom

CITING A DEEPENING FINANCIAL CRISIS IN TELECOMMUNICATIONS, Federal Communications Commission Chairman Michael Powell proposed that local telephone companies—the "Baby Bells," such as SBC and Verizon—be allowed to bid for the remnants of WorldCom, whose major remaining asset is long-distance carrier MCI. Critics howled that this would undo the AT&T breakup of the early 1980s. They're missing a humongous point: The Internet has obliterated any technological differences between long-distance and local calls; to the Net, all calls are the same. Powell hasn't gone far enough.

Telecommunications is imploding not only because of unbalanced balance sheets but also because its immensely complicated regulatory structure, involving the federal government and 50 state regulatory agencies, was cobbled together for a pre-Internet era. All the vested parties—long-distance and local carriers, cell phone providers, satellite servers, cablers, owners of radio and television stations—ferociously fight to preserve their pieces of turf, and try to stick a shiv in their competitors. The result is deadlock, crummy service and financial ruin.

The Administration and Congress should carry Powell's idea to its little-too-logical and necessary conclusion: On a date certain—call it Liberation Day—a year or so from now, all barriers to entry into any facet of communications would be eliminated. If AT&T wanted to provide local services, it could. If SBC wanted to buy a long-distance business or start its own, it could. Cable companies wishing to

provide telephonic services of any kind could. If an outfit wished to run fiber into homes and offices, it could, with the certain knowledge that politicians couldn't force it to offer its pipeline to others.

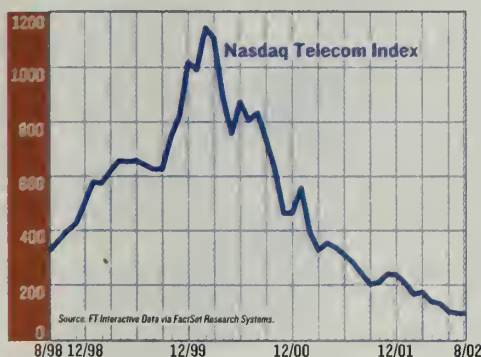
Only the market—i.e., consumers, not vested, interest-bound politicians—can sort this whole mess out. This ultimate

form of deregulation would spark a powerful economic and financial market recovery. Venture capital would pour forth again. Unused fiber capacity would be quickly absorbed. New services would proliferate; better service would ensue. Technological advances would increase spectrum capacity to near infinity; the concept of owning or leasing pieces of the spectrum would become as silly as trying to buy paths in the ocean for ships. New entrants would

emerge. The only losers would be Washington's locust-like lobbyists and lawyers, who feast off the current disastrous system.

Barring such a sensible, sweeping approach, the FCC should, among other things, declare all broadband services, such as cable, to be henceforth "information services" and thus not subject to price controls or political manipulation. This would encourage the investment and innovation necessary to get real broadband capacity into homes and small offices. Imagine having 2 million to 3 million bits (and soon thereafter billions) per second for your PC, instead of the sorry 50,000-or-so bits most folks cope with today.

How much more financial ruin will it take for Washington to come to its senses?



Now Coming: A Healthy Health Care System

AMID ALL THE ECONOMIC DOOM AND GLOOM, SOMETHING extraordinary has happened—and it's come from a most unlikely source. Dawn is breaking on America's health care crisis, and the

source of the light is none other than the Internal Revenue Service.

The primary problem in health care is the disconnect between the providers—doctors, hospitals, clinics, etc.—and

customers—patients. The IRS recently ruled that employers can offer Health Reimbursement Arrangements (HRAs). The bottom line: Employees will now be able to control health care spending decisions; interference from employers and third-party payers will be sharply reduced.

Under the IRS decree, companies can put money, tax free, into the equivalent of a Medical Savings Account for each worker. Employees can use this money for their medical expenses. No more deductible up front; that kicks in only after you use up the money in your account. You're covered from the get-go. What you don't use during any particular year, you get to keep in your account

for the future. If you save money on a procedure or a drug, it's money in *your* pocket, *not* the employer's. How's that for a change in incentives? That's what's revolutionary about the ruling: The dollars are yours; you determine how they're spent.

Currently, Medical Savings Accounts are crippled by severe legislative restraints, but the restraints don't apply to HRAs. HRAs are also different from Flexible Spending Accounts, which

many companies (including Forbes) offer. With flex accounts workers can have a certain amount of money taken out of their salaries each year, tax free, for medical expenses. The problem with this is that if you don't use the money by year's end, you lose it. As with an IRA, money left over in an HRA can be carried over to later years. You can use the money even if you leave the company or retire (although technically the account itself belongs to the employer).

As HRAs develop, they are expected to work like debit cards. When you go to a doctor's office, hospital or clinic, you'll just whip out your card. Paperwork will be dramatically reduced. Health care providers won't have to wait forever for reimbursements from third parties. A growing number of clinics in networks currently give patients discounts if they don't file insurance claims. With medical debit cards, such discounting will become more widespread as consumers become aware of the true cost of health care and do as they do with other things—demand better services at lower costs.

The dynamics of American health care will change for the better.



When patients—i.e., customers—control medical purse strings, scenes like this will become rarer.

The Day the South Could Have Won the War

Crossroads of Freedom: Antietam—by James M. McPherson (Oxford University Press, \$26). Antietam was the pivotal battle of the Civil War. The losses there vastly exceeded those of Sept. 11 and U.S. forces on D-Day. But a victory by Robert E. Lee that day would probably have meant a Confederate victory in the war. Northern morale had been plunging following that summer's shattering losses, and Britain was on the verge of recognizing the Confederacy as an independent nation. Lee's defeat enabled President Abraham Lincoln to credibly issue the Emancipation Proclamation, giving the war a totally different moral dimension. Republicans retained control of Congress in the 1862 elections, which allowed Lincoln to continue vigorously prosecuting the war.

McPherson skillfully, succinctly recounts the political, social and military events leading up to the battle, as well as the battle itself and its momentous aftermath. He peppers his narrative with appropriate quotes from soldiers, civilians, pols and newspaper accounts. Astonishing are the manic shifts in public opin-

ion in both the North and South that closely followed the roller-coaster-like changes in military fortunes of the two antagonists.

But for one of those turns of events that leave one believing in Divine Providence, Lee at Antietam would have whipped Union commander George B. McClellan, a brilliant organizer whose charismatic personality could not overcome his paralyzing fear of actually engaging the enemy in battle. Days before the collision, a Union soldier happened upon a packet of cigars in a field. Wrapped around the stogies was Lee's battle plan. Even with this critical intelligence, McClellan nearly blew it, and although Lee suffered huge losses, McClellan refused to follow up and destroy the rest of Lee's army.

Excerpt: *Many in the South [in early 1862] shared McClellan's opinion of Lee as "cautious & weak under grave responsibility ... wanting in moral firmness when pressed by heavy responsibility ... likely to be timid & irresolute in action." A psychiatrist could make much of this statement, for it really described McClellan himself.*



RESTAURANTS: GO, CONSIDER, STOP

Edible enlightenment from our eatery expert Tom Jones and colleagues Patrick Cooke and Monie Begley, as well as brothers Bob, Kip and Tim.

● **Le Colonial**—149 East 57th St. (Tel.: 752-0808). Lush, glamorous prewar-Saigon setting with a tropical and sexy atmosphere. Everything on the imaginative Vietnamese menu is superb—fish, chicken and beef. Desserts are worthy of the meal.

● **Molyvos**—871 Seventh Ave., between 55th and 56th streets (Tel.: 582-7500). This Greek theme park of a restaurant has let its success and popularity be taken for granted and its standards relax. The chicken lemon soup, the moussaka and the grilled branzini

are still wonderful. Less than inspiring are the octopus appetizer, the lamb chops, the grilled red snapper and the desserts. The ambiance is unwelcoming; the service, indifferent and aloof.

● **The View**—Marriott Marquis Hotel, 1535 Broadway at 45th St. (Tel.: 704-8900). Straightforward, delicious fare: prime rib, seafood, rack of lamb and filet mignon. The view—sparkling skyscrapers and Hudson River panoramas—is seen from a revolving dining room perched atop the hotel. Spectacular. **F**

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OTHER COMMENTS

The taste for well-being is the prominent and indelible feature of democratic times.

—ALEXIS DE TOCQUEVILLE, *Democracy in America*

Choking Broadband The most severe burden on the economy right now is the depression in high technology and telecommunications—our two biggest drivers of productivity growth and most important sources of national wealth and security.

The Clinton-Gore telecommunications policy, which is still in effect, has been an unmitigated disaster. The Clinton FCC's heavy-handed re-regulation of the industry is largely to blame for the slow rollout of last-mile broadband connections to homes and businesses and thus the telecommunications meltdown. Real broadband means video-capable, and while the technology exists, it has been minimally deployed.

Fortunately, there is much this Administration can do *unilaterally* to deregulate the telecom/Internet sector and unleash the capital investment that (1) feeds the entire semiconductor, computer, and fiber optics food chain and (2) will finally bring us a real broadband Internet, fulfilling the original hopes of a new global marketplace of products, services, ideas, and entertainment. Unleash[ing] broadband [will] create a sustainable economic expansion.

—GEORGE GILDER and BRET SWANSON,
Discovery Institute

To Good Health(care) The IRS ruled [in June] that companies all over America now can liberate their employees from the shackles of bureaucratic control over their health coverage and create new health plans with incentives for employees to be partners in decisions about their health spending. Some workers will choose to stay with their PPO or HMO, but others will opt instead for the new accounts (which the IRS calls "Health Reimbursement Arrangements"). The company would

put part of the money it had been spending on premiums for an employee into an account that the employee can use for routine medical bills and use the rest to purchase a catastrophic [illness] policy to cover major medical bills. The key part of the IRS ruling is to allow employees to roll over from one year to the next any amount in the account that they have saved. And they can continue to access the money even after they leave the company or retire. This dramatically changes the incentives in health care. Finally, consumers will see the money that they are spending on health care as real money—with dollars that have the same value as the ones they spend on groceries, clothes and housing payments. And the money is theirs to keep if they spend wisely.

—GRACE-MARIE TURNER, president, Galen Institute

Georgia Pork When Georgia authorities unveiled plans for a new 2,300-acre recreational lake and reservoir, no one was surprised that it had been placed in the western part of the state. That region is now suffering from a major drought. But a few eyebrows were raised by the fact that the plan sends two fingers of the lake into 50 acres owned by [Georgia] House Speaker Tom Murphy, creating a shoreline for him, two brothers-in-law, his children, and a cousin who is a federal judge. "Coincidence," say state officials. All told, Murphy and his relatives own more than 1,500 acres, currently worth about \$1,000 per acre, near the proposed lake. But lakeside property on nearby Lake Harris in Alabama is worth \$20,000 to \$85,000. Strangely, Murphy doesn't list the 50 acres on state financial disclosure reports, as required by law.

—CHARLES OLIVER, *Reason Online*

Thinking Things Over Just as the largest library, badly arranged, is not so useful as a very moderate one that is well arranged, so the greatest amount of knowledge, if not elaborated by our own thoughts, is worth much less than a far smaller volume that has been abundantly and repeatedly thought over.

—ARTHUR SCHOPENHAUER

There But for Fortune The *New York Herald* predicted an Armageddon in Maryland. "If we lose it we may lose everything" and "be broken up ... not into two confederacies, but into ten or twenty petty republics of the South American school, electing each a dictator every year at the point of the bayonet, and all incessantly fighting each other."

—JAMES M. MCPHERSON,
Crossroads of Freedom: Antietam

On the Money There are people who have money and people who are rich.

—COCO CHANEL **F**



"My goodness, Grandmother, what big shares you dumped just before these companies went belly-up!"

A high-contrast, black and white portrait of Giuseppe Cipriani. He is a middle-aged man with short, dark hair, looking slightly to the left of the camera with a serious expression. He is wearing a dark, textured suit jacket over a light-colored dress shirt and a dark, patterned tie. The lighting is dramatic, with strong highlights on his face and shirt, and deep shadows on his suit and the background.

Giuseppe Cipriani,
Restaurateur.

Ermenegildo Zegna

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CURRENT EVENTS

By Paul Johnson



In the Coming Gulf War, President Bush Must Follow the Golden Rules

AS PRESIDENT BUSH IS ABOUT TO EMBARK ON GULF WAR II, IT is well to remind him of the golden rules of military action. They are fourfold, and I advise him to place a summary of them in a prominent position on his desk.

- **The will to win.** This is the most important quality required of a statesman waging war. It embraces all the other martial virtues, including courage. It is what John F. Kennedy and Lyndon B. Johnson conspicuously lacked in their on-again, off-again war in Vietnam. It is what Winston Churchill in 1940 and Margaret Thatcher in the Falklands War conspicuously possessed.

Mr. Bush must ask himself now, before it is too late: Have I the will to go forward in Iraq, without allies if need be, whatever the cost, however great the difficulties, until I have secured my objective—to replace Saddam Hussein's regime with a democratic, peaceful one? If the answer is yes, and I think it is, we need have no fear.

- **Unanimity in leadership.** Sometime soon, before the countdown begins, Mr. Bush must provide his Cabinet with a clear statement of his intentions and invite them to express their assent, recording it as a formal, ultimately unanimous, vote. I believe this will be secured, and it should be extended to all senior members of the Administration. The President must say, in effect: "If you disagree, make your feelings plain now and take your leave. The issue is too serious, in itself and for the future of the civilized world, to permit bickering and information leaks once the action begins. Pledge yourselves now and, thereafter, give my leadership the backing it will surely need."

- **Distinctions of role.** Having formulated a clear political objective for the war, Mr. Bush, as President and Commander-in-Chief, must translate it into equally clear, unambiguous and specific orders for the military, and bid his commanders to carry out those orders until their goals are attained. This is something that was never done in Vietnam; the commanders, let alone the troops, never knew what their final objectives were.

Having given the orders and ensured that the military has all it can reasonably demand for carrying those orders out—a vital proviso—Mr. Bush must then trust his generals to get on with it. He must at all times keep an absolute distinction between political ends and military means. This is what Prime Minister Margaret Thatcher did throughout the Falklands campaign, even during its darkest moments. Though itching to interfere, she never did so, and the military remained in absolute control of strategy and tactics.

By contrast Prime Minister Anthony Eden, during his disastrous Suez war of 1956, constantly issued what were, in effect, military orders to his commanders—deciding, for instance, the weight of the bombs to be dropped on the Egyptians. President Lyndon Johnson was even worse while the war in Vietnam was raging. Not only did he make himself supremo of the air war, deciding weaponry and targets, but his "bombing pauses," determined entirely for political reasons, made nonsense of any consistent strategy or tactics—and were cunningly exploited by the enemy. In consequence, his generals became demoralized and the men apathetic.

If the President has a right to demand that the military follow his orders to secure objectives, his generals, in return, have an equal right to devise the means, according to their professional skills. The President may query and even argue with their plans, but in the end he must accept them, as Churchill, albeit reluctantly, always did during World War II.

- **Resolution and confidence.** President Bush must never allow himself to be deflected from his clear objective. Resolution springs from an absolute conviction of the righteousness of the cause. The object lesson for all time for this is provided by Abraham Lincoln during the Civil War. The twin goals of preserving the Union and making good its humanitarian aims never left the forefront of Lincoln's mind during a long, exceptionally bloody, frustrating and demoralizing war. I advise Mr. Bush to refamiliarize himself with Lincoln's travails and the staunch way in which he overcame them.

So there we are. Willpower, unanimity, distinctions of role, resolution and confidence—these are the golden rules of war. I hope Britain, which has an important military contribution to make, fully backs President Bush. Though the U.S. has many passive allies providing bases and airspace, the President must not be afraid to go on alone. He has power enough.

In fact I suspect the campaign will prove much easier than most people think. Saddam may be on the point of securing some odiously powerful weapons, but his conventional forces are much weaker than at the time of the Gulf war, while America's are considerably stronger. If the campaign begins around Oct. 20, it should be over before the midterm elections.

Then the opponents of the war will fall silent, allies will spring to attention and the world will be at Mr. Bush's feet. Speed and success are everything, not least in the Arab world. But those golden rules must be kept.

F



Paul Johnson, eminent British historian and author; Lee Kuan Yew, senior minister of Singapore; and Ernesto Zedillo, former president of Mexico; in addition to Forbes Chairman Caspar W. Weinberger, are now periodically writing this column. To see past Current Events columns, visit our Web site at www.forbes.com/currentevents.

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By Rich Karlgaard, PUBLISHER



The Medium Is the Model

DAVE BARTON AND ANDREW FIELD ARE EONS FROM THIS year's FORBES 400 list. Warren Buffett earns more income in dividends while sipping on a Cherry Coke than these two yahoos made last year. But who cares? By and large, the FORBES 400 grandees lost ground in the last 12 months—vast Canadian provinces' worth of ground. But Barton and Field, two plucky Web entrepreneurs, are up.

Did I say *Web* entrepreneurs? Yes, I did. And not just Web entrepreneurs, but Web entrepreneurs *in the boonies*. Barton, operating from the hills of central Pennsylvania, and Field, from a working-class town in Montana, may have unlocked the secret of successful Web commerce amid the darkest gloom of the dot-com bust.

Hop aboard my Cessna Skyhawk and let's have a closer look. An early start is recommended. Afternoon winds dancing on the Nittany Mountain ridges are known to kick a 2,550-pound plane around like an empty beer can. Steady your hand and reach for the digital camera. Final approach into the State College, Pa. airport floats us directly over Joe Paterno's magnificent 106,000-seat football palace, a sight not to be missed. The landing is sweet. Time to meet Dave Barton.

Broken California Dream

With a daughter off at college, Barton and his wife earlier this year liquidated their two major assets. They sold their dying business in San Jose, Calif. for a few hundred grand and their 1,800-square-foot house for somewhat more. They pocketed about \$1 million. Not bad for a couple in their early 40s, with one kid at Ohio State. Then again, not too terrific when you live in the cosmically overpriced San Francisco Bay Area. What do you do next?

Barton's dying business was called American Machinist Supply. The 20-employee firm brokered custom tooling for factory mills and lathes. It was a nice little business, for a time. Then the economics that fueled it stopped working in California. During the late-1990s tech boom, Barton watched his rent triple to \$28 per square foot per year. His employees could no longer afford to live in the Bay Area. Morale sank. Turnover soared.

Barton thought about relocating to San Diego, where rent and mortgage loans would go twice as far. Not enough. His wife suggested moving east. He learned that rent and mortgage would go *five times* further in Charlotte, N.C.; Columbus, Ohio; and State College, Pa. He walked into each city's Chamber of Commerce. Within 24 hours, State College's found Barton office space in a Penn State University-sponsored research park. That settled it.

Here's Barton's deal in a nutshell: He sank \$500,000—half his net worth—into Blueswarf.com, his new company. Penn State offered him a no-interest loan of \$125,000, payable in three years, and cheap rent. Barton, in turn, pledged to hire Penn State

grads. He'll need those Penn State engineers, too. Blueswarf.com is high tech all the way. It harnesses the Web to automate the old American Machinist Supply-way of doing business that required 20 brokers on the phone. Clever software helps Blueswarf.com's customers crank up factory output by configuring mills and lathes with the best combination of tooling.

Catch the irony? In the heart of Silicon Valley during the boom, Dave Barton was Old Economy. Now, in the Pennsylvania boonies during the bust, he's New Economy—but without the overhead, fancy venture capital and gaudy expectations that killed so many boom-era dot-coms. Life is good. Barton and his wife have settled into a 3,800-square-foot house on 2 acres. His biggest worry is hitting deer on the highway. Their spread—paid for in cash—cost a quarter of their old San Jose bungalow.

Think Globally, Fish Locally

Think Bozeman, Mont., and your mind's eye pictures FORBES 400 moguls hopping out of Gulfstreams and jumping into waiting Range Rovers at the Yellowstone Jet Center. The caricature has a ring of truth. Writer David Brooks calls Bozeman a Latte Town, no explanation needed.

Drive 20 miles over the Gallatin Pass to Livingston, population 9,000. Behold the changing scenery. Here live forest firefighters, construction laborers and Bozeman's hotel workers. Here is where Andrew Field, a former auto-repair-shop owner, incongruously runs a hypergrowth Web business that sports a national clientele.

Bored with auto repair, Field in 1997 bought a Livingston print shop that catered to Bozeman and Billings businesses. Serving a population base of 150,000, the print shop maxed out at \$80,000 per month, with ten employees and no profits. One day while fishing in the Yellowstone River, Field thought about his big, expensive—and mostly idle—press. Surely other printers suffered downtime. What if he could aggregate all that idle time and sell it to customers needing a last-minute job? Couldn't the Web connect buyers to sellers?

Field launched printingforless.com in March 1999. By September orders were up to two a day. Now Field gets 7,000 visitors to his Web site each day—and converts 30 to new customers. His revenues have spiked eightfold in three years. He pulls down 12% in pretax profits. I don't know whether it was the glow of success or the local Moose Drool ale we were quaffing, but Field sure looked happy as he told me about it.

Lessons from the boonies? Maybe Web commerce, except for the odd Amazon or Ebay, is meant to grow like the Web itself—organically, from the bottom up, with low cash burn. Maybe the medium is the model.

F



Visit Rich Karlgaard's home page at www.forbes.com/karlgaard or e-mail him at publisher@forbes.com.

By **Scott Gottlieb**, FELLOW, AMERICAN ENTERPRISE INSTITUTE; INTERNIST; AUTHOR OF THE GILDER BIOTECH REPORT

Sniffing Out Terrorists

Forget human inspectors. Aerial biosensors will detect weapons from afar.

EVEN AS THE BUSH ADMINISTRATION MAKES ITS CASE FOR AN attack on Iraq we are still trying to get humans inside the country to ferret out biological and chemical weapons, not to mention nuclear ones. But consider this scenario in the not-too-far future: Flying over suspected terrorist sites, unmanned vehicles stocked with microsensors sniff for evidence of bioweapons and analyze it on the spot.

If not quite foolproof, a coming generation of biosensor technology promises to provide more accurate and timely monitoring, and perhaps even obviate the need for human inspection of suspected terrorist spots—and all the diplomatic and safety issues that entails. Indeed, given the ease of concocting bioweapons in the smallest of laboratories, our only protection from bioterrorism is early detection.

Seattle-based Research International is using a machine that is employed to detect toxins in agriculture, like deadly forms of *E. coli*, as a bioweapon sniffer. A complementary machine can test air samples converted into a liquid form. Weighing 12 pounds (a handheld version is also being studied), it has already been successfully deployed on an American-made unmanned aerial vehicle, says Elric Saaski, Research International's chief executive. The company is also working with British Aerospace to incorporate the device into antiterrorism tools.

The device uses the same antibody technology that medical labs use in testing for things like flu viruses. It contains antibodies stuck on the ends of tiny fiber-optic strands. The antibodies are programmed to latch onto different biowarfare agents captured from air samples. Then a second batch of antibodies is applied; this batch has tail ends that fluoresce after being exposed to light of a certain wavelength. The fluorescent antibodies will stick only if a target bacterium or other agent is present. When the sample is exposed to a pulse of laser light, photodetectors at the ends of the fiber-optic strands will identify the telltale fluorescence.

One weakness of biodetection systems like this is that they

rely on organic molecules, which could degrade in the desert heat. San Diego-based biotech startup Biopraxis gets around that challenge with a prototype detector that uses Raman spectroscopy to optically fingerprint potential bioagents.

In yet another approach, machines search for snippets of DNA common to certain bioweapons, thus detecting minuscule quantities of pathogens leached into the air around a bioweapons factory. These DNA scanners can also be engineered to detect designer pathogens altered to be more deadly. Cepheid of Sunnyvale, Calif. delivered a first-generation DNA detection device to the U.S. military in January that scans for anthrax, plague, tularemia and botulism.

San Diego-based Nanogen is adapting its electronic DNA chips, currently used in medical diagnostics and pharmaceutical research, for use in a machine capable of performing real-time surveillance of dozens of different biowarfare pathogens. The system's reliance on electronics makes it fast, both for detection and reporting. Nanogen has already built a prototype the size of a laptop computer. The

Nanogen chip detects DNA by using the tiny strands of DNA to complete circuits. If a piece of anthrax DNA is present, it will bind to two probes on the chip, completing a circuit so electricity will flow to mark its presence.

Mounting detection cartridges on unmanned aerial vehicles that can loiter over suspected bioweapons plants has obvious advantages. It's certainly safer than sending operatives into the Sudan to dig for soil samples around pharmaceutical plants. More likely, at the start, the microdevices will be carried by military personnel and left inside or near suspicious sites, where the sensors can provide continuous monitoring.

The political advantages are mighty, too. The U.S. could look for bioweapons whenever, wherever we wanted. No longer will our leaders be held hostage to half-baked inspection agreements with rogue nations. The only way to stop bioterrorism is through clandestine monitoring, exposure and retribution.



"The U.S. could look for bioweapons whenever, wherever we wanted. No longer will our leaders be held hostage to half-baked agreements."

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OUTFRONT

Edgar's Encore

EDGAR BRONFMAN JR. sold his Hollywood dream to Vivendi and watched the company destroy \$3.6 billion in family wealth. He may yet seek vindication in a buyback.

BY ROBERT LENZNER
AND CHRISTOPHER HELMAN

FOR A GUY WITH A REPUTATION in Hollywood as a cocky, spoiled scion who inherited his way to the top, Edgar Bronfman Jr. seems awfully humble lately. No wonder. In June 2000 the Bronfman family agreed to sell its 24.6% stake in Seagram Cos.—which he had transformed into an entertainment titan by buying Universal, PolyGram and other assets—to Vivendi for \$6.5 billion in Vivendi stock. The nest egg has since lost \$3.6 billion in value.

"I went in with my eyes wide open, but it turned out to be a disaster," Bronfman says today. That owes to the Messier mess. A buying binge swelled debt and sent Vivendi's stock price down 85% in two years. That led to the firing of chief executive Jean-Marie Messier in early July of this year.

Vivendi's board is inclined to unravel much of what Messier put together. That gives Edgar Jr. a shot at vindication—and a chance to restore some of the family wealth. Word is he may team up with USA Interactive Chairman Barry Diller and cable billionaire John C. Malone to try to buy back the U.S. entertainment assets and give them another go. "I'm open to any possibility," Bronfman tells us. He refuses to say whether he will make such a move, but the glint in his eye speaks volumes. "I'm focused on helping Universal Vivendi organize its strategy and then implement it."

Bronfman, 44, is in a fine position to do just that. He remains vice chairman of Vivendi, and his family still holds a



4.9% stake in the fractured empire. "I represent the largest shareholder in Vivendi, and nobody else on the board is as familiar with the U.S. media assets," he says.

Vivendi has no choice but to sell something big. It needs to raise \$10 billion fast to cure a liquidity crisis. Its \$20 billion in debt costs \$1.35 billion a year in interest. (There is another \$17 billion in off-balance-sheet debt.) Though Vivendi takes in \$58 billion a year in revenue, its cash flow from operations falls far short of its capital outlays.

Bronfman's dream of conquering Hollywood began in 1992 when, as chief of Seagram, a liquor distributor founded by his grandfather in 1928, he started to build a 14.9% stake in Time Warner, spending \$2.2 billion. (Unable to wield much influence, he sold the stake into the market in 1997, turning a \$300 million profit.) Then he persuaded his father, Edgar, and his uncle, Charles Bronfman, to let Seagram acquire MCA, which owned Universal, for \$5.7 billion in 1995.

To finance the foray, Bronfman sold Seagram's 24% stake in DuPont back to the chemicals giant for \$8.8 billion. (Had he held on to the DuPont piece, it would be worth \$13.5 billion today.)

Doubling up on the bet, Seagram then paid \$10.2 billion in cash and Seagram stock to buy PolyGram, the music giant, in 1998. But when AOL and Time Warner merged in 2000, Bronfman sought to link up with a big telecom partner. Enter Vivendi, which controls the largest private wireless firm in France, Cegetel, and owns stakes in networks in Spain, Hungary, Morocco and Kenya. Today he admits the merger was motivated by a flawed strategy: "Putting a wireless distribution platform together with entertainment assets was ill-conceived."

In the six months between the Vivendi-Seagram merger agreement and the closing of the transaction, the Vivendi stake going to the Bronfman family fell in value by over \$1 billion to \$5.3 billion, a harbinger of worse things to come. The Bronfmans took 5 of the 19 seats on Vivendi's board. Edgar Jr.

became executive vice chairman of Vivendi, while Messier became chairman and chief executive officer.

At the same time, Vivendi acquired Canal Plus, the French pay-TV outfit, for \$12 billion. As part of the deal, Canal Plus chief Pierre Lescure won oversight of Universal; Edgar Jr. gave up that task but held on to PolyGram. This underscored what Bronfman calls the "flawed execution" of a "flawed strategy": A Frenchman in Europe was trying to run a bunch of Americans in Hollywood, with a nine-hour difference in time zones. "It was not designed to create cooperation," Edgar Jr. says. Lescure was

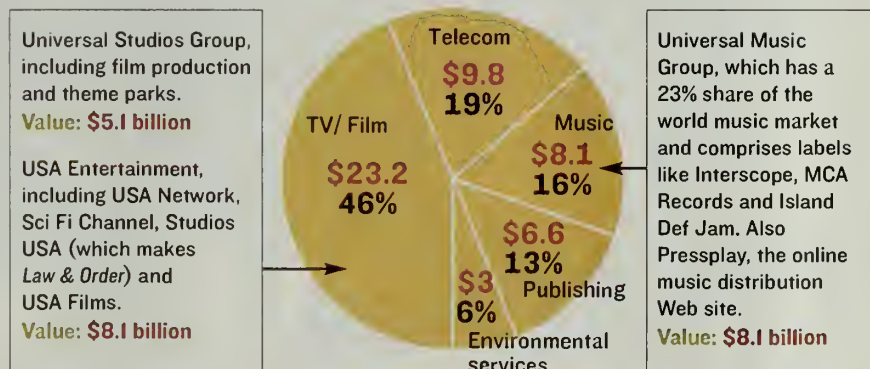
buying a 10% stake for \$1.5 billion. Edgar Jr. was livid—yet he voted for it to avoid infighting.

The Vivendi chief further "misled the board," Bronfman claims, by making \$5 billion in authorized stock repurchases at a time when Vivendi's balance sheet was in tatters. Last year Vivendi paid on average \$52 per share for a stock that now trades at \$12.

By June 2002 Vivendi was nearly bankrupt. Its credit rating was downgraded to junk, and it was down to \$2.8 billion in cash and credit. Bronfman says he threatened to force a special shareholder meeting to oust Messier unless the

Back to the Future

Here's a breakdown of Vivendi's assets, valued in billions. The divisions that might be sold back to a Bronfman/Diller/Malone partnership are in the TV and music units.



pushed out last April, and Barry Diller, who had sold USA Networks to Vivendi in December of 2001, was put in charge of the entertainment assets.

Bronfman says that when he sold Seagram, Messier promised to forgo taking on more debt. A person in the Messier camp counters that no such vow shows up in the deal terms: "Strange, no?" Messier, with the backing of French directors, went on a dealmaking frenzy, spending \$2.4 billion to buy Maroc Telecom, \$2.2 billion for publisher Houghton Mifflin and still more.

Messier bought even when Bronfman urged him to stand pat. Bronfman claims Messier told him to study whether to invest in EchoStar, a satellite TV service. In October 2001 Bronfman rejected the deal. "It required simply far too much capital for what we were getting in return," he says. A month later Messier did it anyway,

board fired him; in July it did so.

Seagram paid nearly \$16 billion for Universal and PolyGram in the 1990s. Now Edgar Jr. and partners could probably buy it all back for \$15 billion. Universal's operating income (net before interest, taxes, depreciation and amortization) should exceed \$700 million this year, almost double the sum in 1995; PolyGram's operating income could come in at \$1 billion, almost double the level when Seagram bought it in 1998.

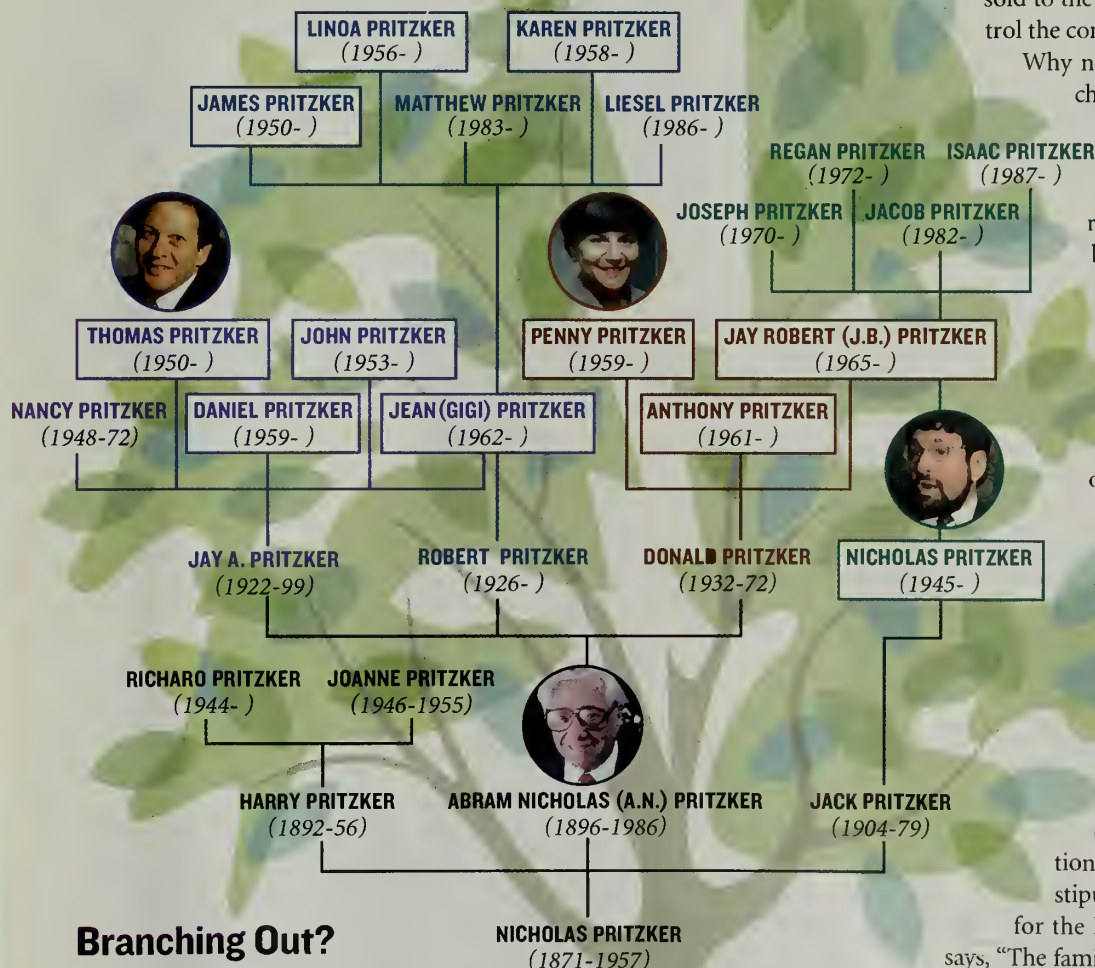
No wonder Edgar Bronfman Jr. seems so eager. His clan is well positioned to back a Diller/Malone buyout. The family still owns 52.5 million Vivendi shares, worth \$630 million at recent depressed prices. But Edgar Jr. and relatives were wise enough to sell \$2.25 billion of their Vivendi stake as the stock fell. You can guess where they will reinvest it.

F

Shaking the Family Tree

The Pritzkers are reorganizing their fortune and weighing a public offering for Hyatt.

BY STEPHANE FITCH



Branching Out?

While the extremely private Pritzkers aren't talking, there are signs that the family fortune may soon be reshuffled—an extraordinary move for a clan whose wealth has passed from generation to generation. (Boxed names indicate key cousins.)

ARE THE PRITZKERS—ONE OF AMERICA'S WEALTHIEST and most reclusive clans—on the verge of busting up their empire? Three years after the death of patriarch Jay A. Pritzker, the family has nearly completed an exhaustive accounting of its \$15 billion-plus private fortune. People familiar with the scale and purpose of that reckoning say it is unprecedented and expect some significant assets will be sold and the proceeds distributed. The family that stayed together through four generations of wealth-building appears poised for a carve-up.

First up for sale may be Hyatt Corp. (estimated 2001 rev-

enues: \$2 billion). According to a handful of knowledgeable sources, the Pritzkers are seriously considering an initial public offering. The family has retained Goldman Sachs to advise it, says a manager at an institution that would likely seek shares in

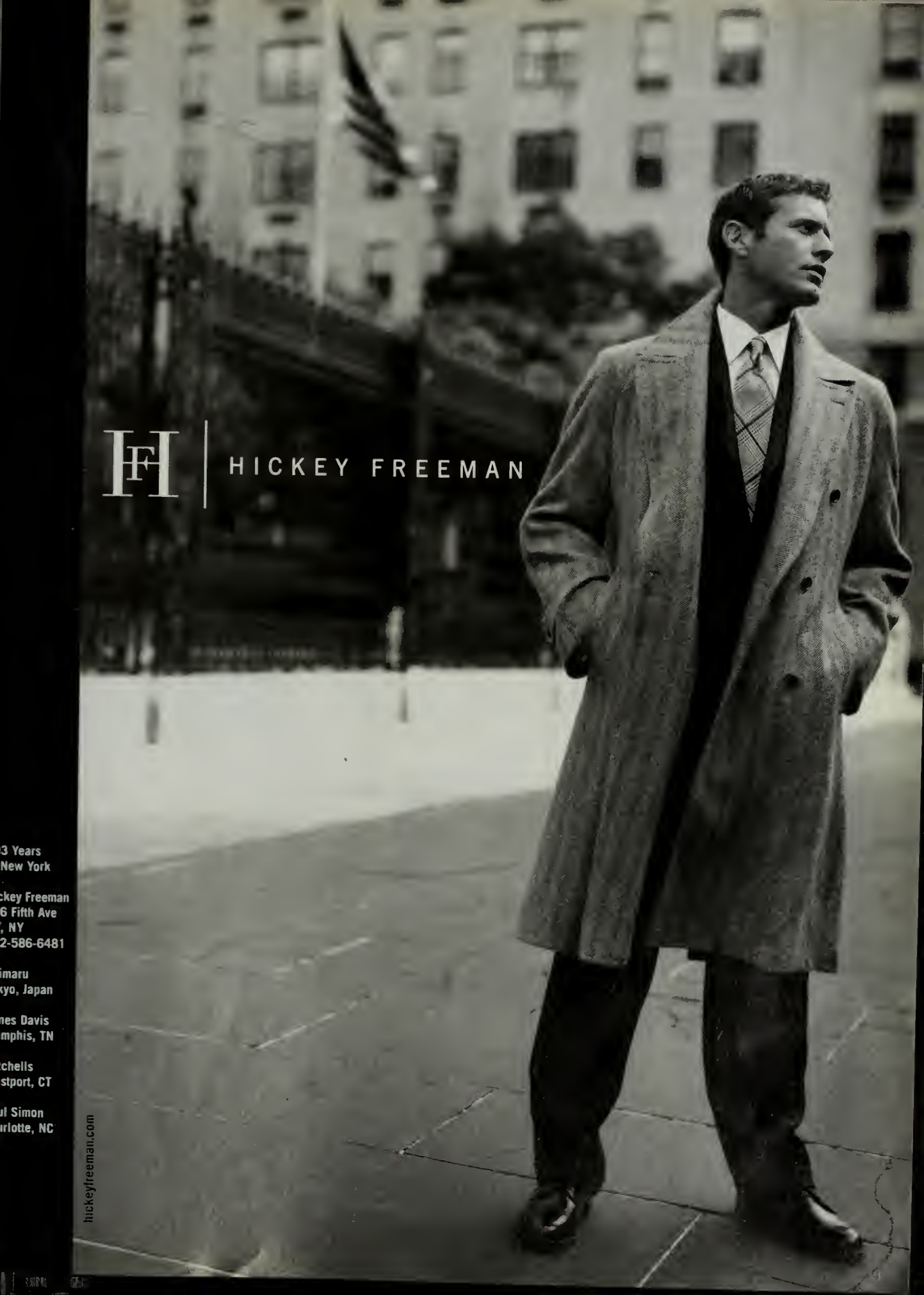
Hyatt given the opportunity. To be decided: what parts of Hyatt would be included in an offering, how it would be valued, what percentage would be sold to the public and who would control the company.

Why now? The Pritzkers have eschewed the public markets for two decades, ever since Jay Pritzker, appalled by the meager valuation Hyatt was receiving on Wall Street, bought out the public's 25% stake for \$12.5 million—a figure that now seems laughable. Today the company is worth an estimated \$10 billion. It has management contracts on 123 hotels in the U.S., Canada and Caribbean and 81 overseas, plus interests in casinos and outright ownership of 40 hotels and 18 senior-housing communities.

Someone speaking for Hyatt says the chain has no "present intentions" to go public, but carefully stipulates that she isn't speaking for the Pritzkers. Their spokesman says, "The family feels this is a private matter" and declines further comment.

Still, there are clear signals that something is afoot. Earlier this year Jay's brother Robert, 76, stepped down as chief executive of Marmon Group, the troubled collection of manufacturing and financial service companies (assets: \$7.2 billion). Help wanted, badly: Last year Marmon's earnings plunged to \$121 million on sales of \$6.4 billion, from \$300 million on sales of \$6.8 billion in 2000. In an unprecedented move, the family named an outsider to the job. He is John D. Nichols, 71, a retiree from the Chicago-area conglomerate Illinois Tool Works, where he was known chiefly as a turnaround artist.

There are tantalizing hints that some of the 11 key Pritzker cousins, most in their 40s and 50s, are not happy with the way the empire is being run—despite estimated annual incomes well in excess of \$50 million apiece. Power is now concentrated in three Pritzkers. Thomas, 53, is chairman of Hyatt Corp. Nicholas, 56, is chief executive of Hyatt Development Corp. (new markets



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Pritzker Prizes

HYATT

Hotels, resorts, casinos
Sales: **\$2.0 billion**
Net value¹: **\$9.5 billion**

MARMON GROUP

Manufacturing, finance
conglomerate
Sales: **\$6.4 billion**
Net value: **\$3.5 billion**

PRITZKER REALTY

Senior housing, office,
industrial real estate
Net value: **\$1 billion**

CONWOOD

Kodiak, Cougar tobacco snuff
Sales: **\$300 million**
Net value: **\$500 million**

ROYAL CARIBBEAN

12.5% stake in cruise line
Net value: **\$475 million**

¹Net value figures for Hyatt, Marmon and Conwood assume 30% to 50% leverage.

into default. Federal regulators seized the bank in July after the collapse of a recapitalization plan by the Pritzkers and Dworman, who each blamed the other. Regulators charged the bank with poor lending practices and sloppy accounting. The Federal Deposit Insurance Corp. was bracing to cover as much as \$550 million in losses at Superior.

The Pritzkers initially seemed confident, offering in July 2001 to infuse the bank with \$210 million. But by December, with details of Superior's losses under increasing scrutiny, the family was forced to open its checkbook, agreeing to shell out \$460 million over 15 years. No bank owner in history had ever offered anything close to that to settle a case. But the payout scuttled the possibility of Penny's having to testify in a very public trial—or of her having to disclose her own role in the bank's failure.

Other possible cause of friction: Penny's spending \$55 million on a 65,000-square-foot lot on downtown Chicago's Wacker Drive in 2000. Another developer, John Buck, bought a nearby plot for \$580 a square foot, roughly two-thirds what Penny paid. She hired famed architect Norman Foster, an English lord, to design a fanciful 1.2-million-square-foot office tower that included vast public spaces and decorative exterior bracing. She installed Higgins Development to oversee the project. Tom and Nick agreed to move Hyatt's headquarters

for Hyatt) and Hyatt Equities (which issues public debt). Penny, 43, heads Pritzker Realty, which invests in upscale senior housing and apartments, and Higgins Development Partners, a developer of office and industrial buildings. All three serve on Marmon's board.

One locus of discontent seems to center on Penny Pritzker. She represented the family's half-interest in Superior Bank, a thrift operating in the Chicago suburbs—"a relationship inherited from Jay," says a family friend; the other half was controlled by Jay's old investment partner, Alvin Dworman. Superior ran into trouble early in 2001 when a large number of subprime loans went

to the new building in 2004—over the objections of a few family members.

But with the recession's drop in demand for office space, Penny has since scaled back and hired I.M. Pei to propose a more modest design. While construction crews broke ground in July, two hotly pursued tenants, law firm Mayer, Brown, Rowe & Maw and Goldman Sachs, won't confirm they've signed up 60% of the space.

One last piece of the puzzle is the impending shuttering of the \$26 million Pritzker Cousins Foundation, which provides grants for research and educational programs geared to kids up to the age of 3. Run by Tom's younger sister, Jean (Gigi), the foundation is bankrolled by the 11 Pritzker cousins. Executive Director Iris Krieg says its obligations for 2003 have been met. Thereafter, she says, the foundation will reemerge as a series of independent funds, each controlled by different Pritzkers. The breakup could be a harbinger of what will happen to the rest of the Pritzker empire. **F**

Additional research by Natalie Cannestra.

Kinky Tax Tricks

The Lauders did it. So did Craig McCaw and Ronald Perelman.

BY JANET NOVACK

In January 1998 Merrill Lynch paid Ciber Inc. Chief Executive Bobby G.

Stevenson \$82 million in cash for his agreement to deliver a chunk of his Ciber shares by Feb. 1, 2001. It was a sweet deal for Stevenson, whose stock is off 80% since he got the cash. He locked in gains before the tech market tanked, but would not be taxed on his gains until he handed over the shares in 2001—or so he believed.

The Internal Revenue Service is now demanding Stevenson pay 1998 taxes on his \$82 million gain. Stevenson is fighting the claim in U.S. Tax Court, but if the IRS sticks by its position and is upheld, it threatens a strategy apparently used by many wealthy individuals to raise cash and hedge risk while deferring taxes. "If this is the IRS' official litigating position, people will be shocked," says Lehman Brothers tax expert Robert Willens.



Cash now, taxes later:
Ron Perelman.

Stevenson's deal with Merrill was essentially a prepaid variable forward contract—a "kinky forward," it's been called. In these contracts, selling stockholders, such as Stevenson, get cash upfront but retain some exposure in a stock. Tax is supposedly deferred until the contract is settled. After all, how can you pay tax before you know exactly how much your gain is?

Merrill used Stevenson's stock pledge to issue a type of convertible security it calls Strypes, which other firms market with acronyms such as Decs and Traces. Strypes purchasers get fixed interest payments plus a large share of any gains in the underlying stock while assuming all or almost all the risk of loss. Others who have been on the selling side of Strypes include the families of Dollar General Chief Cal Turner Jr. and Washington Redskins owner Daniel Snyder. The Lauder clan did two Traces deals with Estée Lauder stock.

Wall Street has also been churning out private prepaid variable forward deals. According to SEC filings, both Craig McCaw and Ronald Perelman have used them.

Does the Stevenson case signal a wider crackdown? The IRS declines to say. But other wealthy taxpayers are also being challenged on this issue, our sources say. **F**

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Panic Attack

Did anyone really think the veteran boss would quietly leave ICN Pharmaceuticals?

BY SETH LUBOVE

AFTER ENDURING MULTIPLE proxy battles, accusations of sexual harassment, a paternity lawsuit and legal scrapes with the Food & Drug Administration, the Department of Justice and the Securities & Exchange Commission, Milan Panic, 72, finally conceded defeat in June. Ending one of the more colorful and controversial careers in business history, he promised to retire as chairman and chief executive of ICN Pharmaceuticals, the Costa Mesa, Calif. drug company he founded and lorded over for 42 years.

"Mentally, I am retired today. I decided against fighting," Panic ("pah-n-EECH") wearily told the *Orange County Register*. "We're trying to make peace here," his lawyer said in the *Wall Street Journal*, referring to Panic's concession in a proxy fight.

Stick around; it just got interesting. Far from retiring, Panic is hurling accusations against the dissident shareholders who orchestrated his ouster from the \$858 million (2001 sales) company he started in his garage. They include corporate agitator Herbert Denton of Providence Capital, Franklin Resources' Franklin Mutual Advisers unit and Iridian Asset Management. The gang collectively toppled Panic after criticizing him and his hand-picked directors for a history of broken promises and autocratic management.

Turning tables on his tormentors—again—Panic complains through his lawyer that rather than crusading on behalf of shareholders, the dissidents misrepresented their true intention, which was to take over the company on the cheap. Although he hasn't yet filed a lawsuit, Panic wants a court to invalidate the last two proxy fights and allow new elections for the six disputed director seats,

out of a total of nine. Panic himself remains a director until next year.

"The two-year crusade was an elaborate scam to oust the founder and take over a company without paying a control premium," thunders Pierce O'Donnell, Panic's attorney and the hardball Los Angeles litigator better known for tangling with Hollywood's big studios. "It may also have been a scheme to drive down the price of the stock," O'Donnell adds, citing a separate lawsuit against the dissidents that accuses them of undermining the initial public offering of the company's Ribapharm unit. The lawsuit was delivered to

Not retiring from the fight: Milan Panic lashes back at his tormentors.



ICN last May but never filed in court.

The sudden turn of events at the beleaguered company comes just as the interim management attempts to keep the bottom from falling out of the stock. At a recent \$11, ICN is off 70% from its 52-week high. The usual legal vultures, including William Lerach, are already circling with shareholder lawsuits.

Some of Panic's latest complaints echo those he made last year in a lawsuit, later withdrawn, in the first of the two back-to-back proxy fights. Then, as now, he accused Denton and secretive Swiss investor Tito Tettamanti of masking their true intentions and covering up the

mixed business records of their nominees to the board. They won three seats on the board anyway.

The dissidents delivered the coup de grâce this time in part by accusing Panic of dragging his feet on a promised restructuring that would include spinning off the company's international operations and the 80% of Ribapharm still owned by ICN. Ribapharm holds the rights to ICN's crown jewel, a popular hepatitis C treatment called ribavirin. But once they took over, the dissidents' anointed managers put the restructuring on hold and brought in Goldman Sachs for advice.

"The big lie is they flogged Milan and his directors for two years for the slow pace of restructuring, and the first thing these guys announce is they're putting the restructuring on hold," seethes O'Donnell.

Not so, protests ICN spokesman Steven Campanini: "There is a very comprehensive strategic review currently under way, and that does not necessarily mean a spinoff of ICN International or Ribapharm isn't going to happen." Campanini helpfully reminds a listener that

at the same time he's complaining about the way the company is being run, Panic also quietly bought \$8 million in ICN bonds, convertible into 227,700 shares. Panic still holds another 1 million shares.

When informed of Panic's latest complaints, Denton of Providence Capital repeatedly guffaws and says, "That's a quote."

"I never said Milan Panic is a saint," offers O'Donnell, who also lives near Panic's Pasadena, Calif. mansion, once owned by railroad tycoon Henry Huntington. "He's a human being, a sinner like the rest of us. But he is not the Saddam Hussein of corporate governance." **F**

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Cost of Living (Well) Adjustment From the silver-lining department (or perhaps the gold-inlay department): While the stock market is down 19% in the past year, the Forbes Cost of Living Extremely Well Index, our CPI for the overly prosperous, rose by only 2.8%, just one point worse than the inflation rate for ordinary citizens. Go to www.forbes.com/clewi for details. **BY JODY YEN**



Thoroughbred yearling

2001: \$710,247

2002: \$487,184

-31.4%

Demand dropped after the death of Saudi Prince Ahmed, one of the world's big buyers.



7-pound filet mignon

2001: \$189

2002: \$203

+7.4%

Fewer farmers are producing the prime meat, so prices are fattening up.



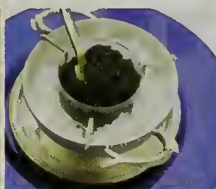
Case of Dom Perignon

2001: \$1,500

2002: \$1,427

-4.9%

Hangover from millennium hype is pushing prices down to pre-2000 levels.



Kilo of beluga caviar

2001: \$2,700

2002: \$3,000

+ 11.1%

Belugas are hard to find—and may be illegal to bring to the U.S. in the future (see p. 380).



Learjet Model 31A

2001: \$6,525,000

2002: \$6,600,000

+ 1.1%

As Learjet promotes its new 45A, there is lukewarm demand for the older model.



Louis Vuitton duffel bag

2001: \$700

2002: \$740

+5.7%

The falling dollar makes European luxury that much more expensive.

I'll Take Manhattan

Tax dollars slated to rebuild New York are subsidizing an already flush private ferry operator.

BY TOMAS KELLNER



HOW'S THIS FOR A BUSINESS PLAN: Build a monopoly and then have the government subsidize it. Check out NY Waterway, a private ferry service based in Weehawken, N.J. Every workday, the company clocks 65,000 rides back and forth across the Hudson. The ferry service, owned by ex-Forbes 400 member Arthur E. Imperatore Sr., 77, and his sons, dominates passenger service on the river. NY Waterway's ridership doubled after Sept. 11, when the World Trade Center collapse destroyed the terminus of the PATH commuter train lines and suburbanites switched to Imperatore's boats. By December 2001, the company was awash in cash. Net income jumped to \$5.8 million on \$47 million in revenue, up from \$2 million and \$37 million in 2000.

Not seemingly a candidate for welfare, but in March 2002 the city offered to subsidize the company's Hoboken ferry line. The idea was to duplicate the capacity of the out-of-service trains, which served 60,000 passengers. So the city now pays Imperatore for ten extra boats and 100 captains and deckhands, plus a management fee—\$1.4 million a month in

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Miami Beach



Washington, D.C.



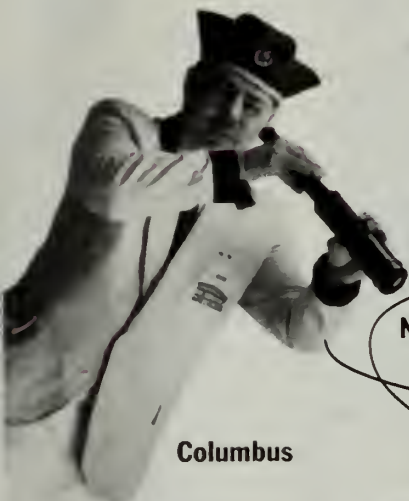
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– NY Times

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– Gourmet

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– Chicago Tribune



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total. The money comes from the \$21 billion that Washington set aside to rebuild New York.

The Imperatores knew the extra seat capacity wasn't needed but they weren't about to turn down a lavish handout. Indeed, ridership grew by a meager 4,000, to 25,000 trips since March on that Hoboken line. That means you are paying \$35 to NY Waterway for each new passenger buying a \$6 roundtrip. Says Arthur Imperatore Jr., 39, who now runs the business: "We're being paid to double

Love those government subsidies:
Arthur Imperatore Sr.



our service. Obviously we didn't expect the doubling of our revenue [before the subsidies] as well."

Sweet deal, especially when you consider the company already operates 90% of the Hudson ferry lines between New Jersey and Manhattan in exclusive deals, and the city is subsidizing two more Imperatore routes on the East River. How did the city allow such a monopoly? Shrugs Thomas Cocola, spokesman for the New York City Department of Transportation: "I know, it's weird."

Arthur Sr. and his two sons are avid contributors to political campaigns, having given a total of \$150,000 since 1990 to both parties.

Despite the health of the ferry business, the Imperatore empire has been in decline. Arthur Sr., who made our rich list in 1988 at \$230 million, lost his A.P.A. Transport trucking company in February when it went bust. He also lost half of his Hudson River waterfront, 90 acres in all, after he fell \$8 million behind on a \$50 million loan.

Those government subsidies have never looked better. **F**

Billionaires in the Mist

A new field guide to the wealthy. BY SUSAN ADAMS

So it turns out that the rich really are different from the rest of us. In *The Natural History of the Rich* (Norton, \$27), author Richard Conniff finds striking behavioral similarities between the wealthy and our tree-dwelling cousins. Conniff has spent the last 20 years covering the ways of wild beasts for publications like *National Geographic* and *Smithsonian* and the whims of the wealthy for magazines like *Architectural Digest*, so at least he knows his territory. *FORBES* recently had a chat with the author.

FORBES: Surely you can't be serious about comparing rich people to animals.

Conniff: Why not? Rich people do it all the time. For instance, Mrs. Armand Hammer once said, "A telephone is to Armand what a fireplug is to a dog. He can't pass one without using it. The only difference is, he raises the receiver instead of his leg."

F: But she was joking and you're ... not?

C: Rich people, like the rest of us, are the product of millions of years of primate evolution. Genetically, Jack Welch is 98.4% identical to a chimp. Without meaning to minimize the crucial 1.6% difference, it makes perfect sense to look at how our history as animals shapes the way rich people run great companies and vast fortunes.

F: For instance?

C: Dominance behavior. If you look at the way an alpha baboon gets power and the way somebody like Ted Turner or Henry Nicholas at Broadcom does it, you see the same mix of shouting, glowering, intimidation and the use of commanding physical presence. There's also a kind of maniacal indifference to consequences that often characterizes alphas on the make, whether they're chimps or founders of great companies.

F: And then there's Warren Buffett.

C: You can dominate by being nice, too. Chimps are particularly skilled at building coalitions of subordinates and redistributing food and other goods through themselves

to stay at the top. Chimps have feeding clusters. Rich people have parties.

F: Explain how the way old money treats new money resembles the pig-grunting of gorillas.

C: When a newcomer joins a gorilla group, the other females pig-grunt at her and behave in the most spiteful and appalling fashion. It can take her years to fit in.

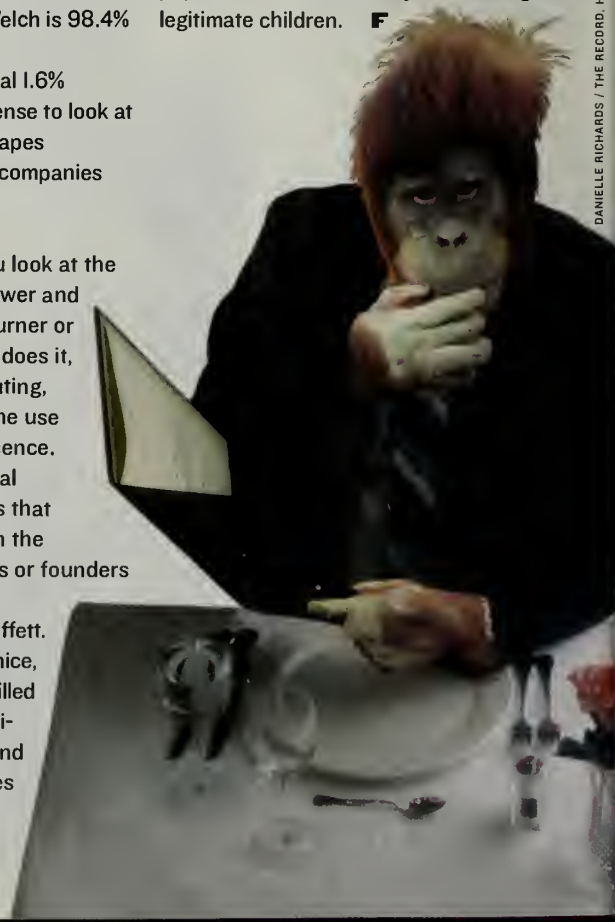
A new-money sort trying to make it in society will know exactly how it feels.

F: And what about the air kiss?

C: It's an appeasement gesture. It originated among primates as an imitation of grooming behavior, in which one animal uses her lips to pick burrs and other debris from another animal's fur. It's a way of saying "I won't hurt you. I want to be your friend." Mwah-mwah.

F: You spend some time in the book talking about the sexual habits of the rich.

C: One study of The *Forbes* 400 shows that the very rich, like dominant animals in the natural world, are reproducing at a 38% higher rate than the general population. And that was just counting legitimate children. **F**



DANIELLE RICHARDS / THE RECORD, HACKENSACK, N.J.; LISA K. BAUGER FOR FORBES



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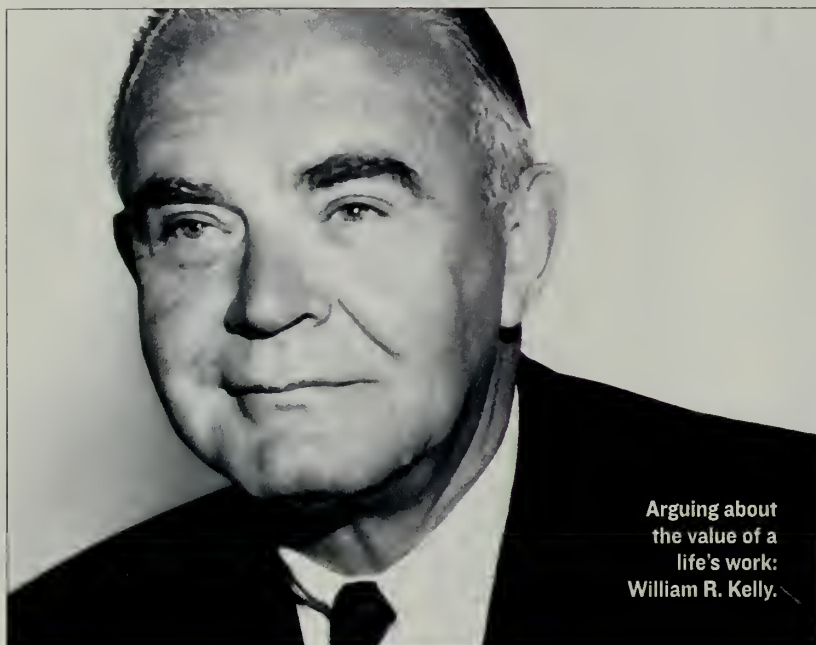
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Arguing about
the value of a
life's work:
William R. Kelly.

Sure Beats Temp Wages

The estate of temp agency titan William Russell Kelly, a Forbes 400 member from 1985 until his 1998 death in Fort Lauderdale at age 92, owes \$154 million in federal death taxes atop \$114 million already declared, the Internal Revenue Service contends. In a U.S. Tax Court lawsuit, heirs say the IRS wrongly (1) cut the claimed tax-reducing marital deduction from \$188 million to \$2 million and (2) asserted the estate undervalued by \$28 million its stake in Kelly Services, which Kelly founded in Detroit in 1946. The feds valued Kelly's gross estate at \$506 million—not far from our 1997 estimate of \$540 million. —Janet Novack

But Isn't it Smarter to InvesBottom?

Goldman Sachs, once headed by ex-Forbes 400 member John L. Weinberg, is asking journalists to cite its trademarked GS \$ InvesTop Index of 100 bonds as a benchmark for corporate

issues. Trying to steal thunder from rival Lehman Brothers, whose fixed-income indexes long have been the standard? "Obscenely wrong," a flack declares. —William P. Barrett

Efficient for Whom?

In California, Washington Mutual has made much hay out of waiving fees to noncustomers using its ATMs. But that privilege is not being offered in New York City, where the Seattle-based banking giant is rolling out a big expansion that promises "great value with friendly, efficient service." A rep says such fees will be waived—eventually. —Tim W. Ferguson

Procrastination, Y'all

Four days before her death at age 90 in 2000, Maude O'Connor Williams, of the Victoria, Tex. O'Connors—whose 170-year-old land, oil and banking empire landed them on The Forbes 400 family fortune list for 15 years—formed a family

limited partnership in which she put \$261 million of her \$384 million gross estate. Claiming a 40% discount for estate-tax purposes on those transferred bonds and other assets, heirs have sued for a \$40 million refund (from \$143 million paid) in a federal district court right there in Victoria. This procedure avoids the Washington, D.C.-based U.S. Tax Court, which might view such last-minute maneuvers with a tad more skepticism. —J.N.

Blame Canada

Authorities in Canada admit ruefully that their country accounts for an eye-popping 70% of the estimated \$40 billion in telemarketing fraud taking place yearly in the U.S. Why? Boiler room operators fearing stiff punishment in Florida and California simply took their toll-free 800 lines north of the border, where sentences are lighter. Common scams: offering loans from banks that require an upfront fee or telling dupes they had won a big lottery but first had to pay stiff Canadian taxes. —W.P.B.

Oh, I Was Just Trying to Stop the Spread of West Nile Virus

A number of prominent persons—including two on this year's Forbes 400 list—have become enmeshed in claims of threatening wetlands, the water-saturated property near coasts, lakes and rivers that government closely protects. —Carrie Coolidge and W.P.B.

INDIVIDUAL/OCCUPATION	CLAIM	OUTCOME
Philip Anschutz/Denver investor	Anschutz Corp. unit illegally drained Colorado wetlands for golf course	\$625,000 fine
James Brackearich/ex-W. Va. state senator	discharge of pollutants without permit from his business into wetlands	\$25,000 fine, 1 mo. jail
John L. Connor/Arkansas businessman	improper conversion of Delta wetlands to farm use	\$400,000 fine
J. Garfield De Marco/N.J. political leader	illegal conversion of south Jersey wetlands into cranberry bogs	pending
Paul Tudor Jones II/money manager	construction of road through his Maryland hunting retreat without permits	\$2 million fine
Richard Marriott/hotel operator	illegal conversion of boathouse on N.H.'s Lake Winnepesaukee into home	\$200,000 fine
Butch Otter/U.S. Representative (R-Idaho)	filling-in of wetlands along his Boise River ranch without permission	\$50,000 fine

¹Current Forbes 400 member.

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The When an online vendor or a hardworking software executive loses 97% of his net worth, we all suffer a little. Ex-Billionaire Next Door

By Joe Queenan

Americans feed off the psychic energy generated by other people's good fortune. There's a simple reason for this: Most Americans honestly believe they will one day be, if not rich, at least prosperous. And if not them, then their kids. Though spoilsport journalists intoxicated by schadenfreude, and grandstanding politicians casting around for a few extra votes, love to see the mighty humbled and the omnipotent brought low, average Americans do not bear any ill will toward the wealthy. They do not view wealth as a zero-sum game; there's plenty for everybody. As the old story goes, when an American sees a fat cat getting into a snazzy car, he dreams of the day he can own the vehicle. A Frenchman dreams of the day he can tell the guy to get out and line up for the bus like everyone else.

Lately, though, there is great concern for the psychic health of the Republic. That's because many of our most positive role models have taken a beating. Although

the 1990s was an era of spectacular greed and stupidity, the decade was certainly fun while it lasted. What started out as the era of the Millionaire Next Door ended up as the era of the Billionaire Next Door. It gave everybody something to look forward to.

All of this had a tremendous effect on civic pride, particularly at the local level, because of what is known as the "vicarious wealth effect." This is the phenomenon by which people who cannot afford to buy a fleet of Hummers or an island in the South Pacific or an election feel a secret rapture because their neighbors can.

I first became aware of this phenomenon two years ago, when, just before the dot-com bubble burst, I wrote a story for the *New York Times* about how suburbanites deal with the trauma of watching a high-profile celebrity depart. As an authentic product of the working class—unlike Bill O'Reilly, scion of a fashionable but imagined proletariat—I expected people to be crushed if a famous citizen pulled up stakes and moved. That's the way blue-col-

lar people are; I still haven't recovered from the decision by *Saturday Night Live*'s Tim (The Ladies' Man) Meadows to forsake quiet, unassuming Tarrytown, N.Y. to pursue his acting career elsewhere. You hurt us, Tim. You really hurt us.

To my surprise, residents of wealthier Westchester suburbs like Bedford, Mt. Kisco and Chappaqua weren't at all dismayed when the likes of Mariah Carey departed, because they had so many other plutocrats in reserve. As one Realtor put it to me, when you already had Martha Stewart and George Soros and Michael Crichton living in the community, who cared if a sultry pop star blew town? It was like 18th-century Paris suddenly losing Louis XVI and Marie Antoinette; it still had Robespierre, Danton, Marat and the young Napoleon Bonaparte waiting on deck.

These days affluent communities have less room to be smug. As whole industries have imploded and Croesian fortunes have vanished in margin calls, small towns the length and breadth of the



nation are being forced to deal with the plutocratic contraction effect. Neighbors who are not, and never were, billionaires have to deal with the psychological fallout of living down the street, across the bay or over the dale from people who used to be billionaires but who are now digging through trash receptacles. Or going downtown to collect the deposit on all those San Pellegrino bottles. Or, in the case of Adelphia founder John Rigas, concerned about the possibility of jail time.

Consider the case of Jing Jong and Theresa Pan. Taiwan émigrés once worth \$1.9 billion, they have seen their fortune hacked down to an estimated \$450 million, almost all of it in cash from selling shares. Then there's Stephen Garofalo of Metro-media Fiber, whose dream of wiring New York so that everyone could play solitaire online has turned into a nightmare. Featured on The Forbes 400 list two years ago, he watched his shares drop in peak value from \$3.2 billion to \$1.5 million, the price of a two-bedroom apartment in Manhattan. Sure, there is a part of us that feels a certain element of relief—a sense that there, but for the grace of God, go we. But a deeper and more healthy feeling is a sense of shared misfortune, that two years ago we were all living together in a society where billionaires were turning up everywhere—high school soccer games, cook-outs, Andrea Bocelli concerts—and now their ranks have been vastly depleted. It's like living in Rome after all the Caesars have gone. The place still looks good. But it's lost a lot of its buzz.

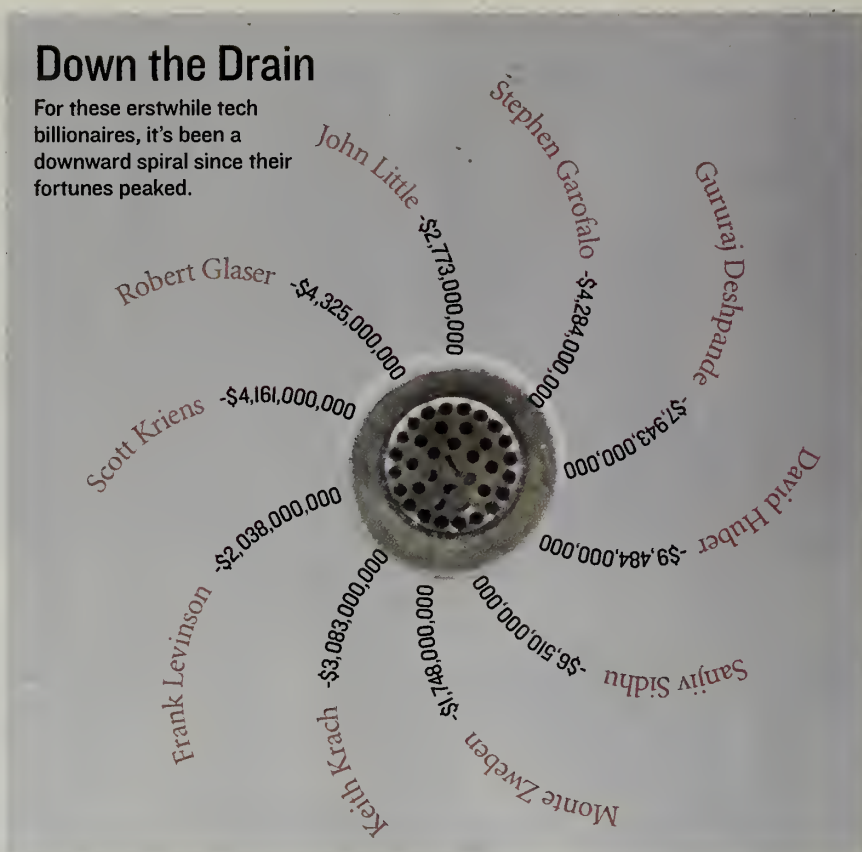
For a sense of the scale of the debacle, consider the list above. All of these people were Forbes 400 billionaires just two years ago. Today their fortunes have been ravaged. All across the nation people are rubbing elbows on a daily basis with plutocrats who have undergone rapid pauperization. We cannot ignore the deep psychological damage to the population at large.

The conventional wisdom says it is better to have loved and lost than to never have loved at all. Frankly, I think it depends on how much you lost. Losing gives us all a thrill. But loving does not pay the bills.

At the height of the Internet boom, the press began running stories about suddenly wealthy Americans forced to

Down the Drain

For these erstwhile tech billionaires, it's been a downward spiral since their fortunes peaked.



seek counseling because they were so uncomfortable with their newfound wealth. They worried about being preyed upon by parasites and entourages. They were concerned that their kids would grow up with warped values. Now, one can be sure, the reverse is true, and overnight ex-billionaires are probably seeking some sort of fiscal bereavement counseling. No, they are not going to starve. But they are never going to own the Dallas Cowboys or a fleet of planes. Some of them might never even own a Maserati. It has to hurt.

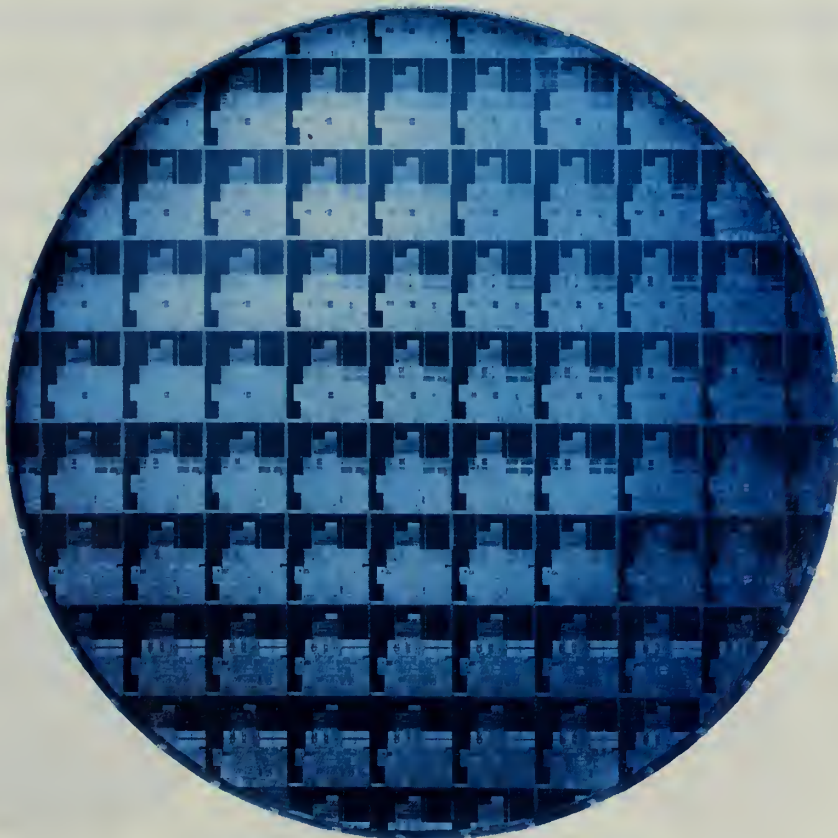
Years ago I wrote a fictional story about a man who checks the latest federal guidelines and discovers, to his horror, that his income no longer qualifies him for membership in the middle class. Chastened and mortified, the man gathers his family together and announces that as they are no longer members of the bourgeoisie, it is incumbent upon them to get rid of their fancy car and move to a crummy neighborhood. Friends gather at a somber picnic where the family bids farewell to the middle class. They say how much they'll miss them. They look forward to their return. But deep inside, they know the truth: These

losers are down for the count.

Today millions of Americans find themselves in the same situation. This class, known as the evanescently well-heeled or the provisionally prosperous, now discover that after a joyous but tragically brief interregnum as fat cats, they must go back to being ordinary wage slaves. These momentary millionaires, some of them writers and artists belonging to a class called the working famous, are the ones you see checking the financial tables every day, hoping against hope that AOL Time Warner or Intel will return to its previous level, allowing these people to become millionaires once again. In and of itself, this breeds a kind of civic mistrust, as people who made it clear that they were once the millionaires or the billionaires next door now continue to masquerade as members of a class from which they have been purged.

It is only a matter of time before we see a national bestseller along the lines of *The Guy With About \$678,000 Next Door—Provided Citigroup Doesn't Fall Below \$28*. After that, James Glassman and Kevin Hassett will update their bull market classic under the new title *Dow 3600*. Read it and weep. **F**

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The Check Is Not in the Mail

More tales of the misfortunes that befall Meshulam Riklis' creditors. **By Nathan Vardi**

AT AGE 78 MESHULAM RIKLIS HAS lost none of his agility in holding creditors at bay. Lenders and suppliers of York, Pa.-based McCrory Corp., the old five-and-dime chain that's the last remnant of the Riklis empire, are demanding blood from the former corporate raider. They might have an easier time with a turnip.

Riklis pushed McCrory, a company he first bought in 1960, into five years of bankruptcy proceedings in 1992, only to buy back its assets in 1997. The price tag looked steep: \$51 million. But only \$16 million of the purchase price was in cash. The remaining \$35 million was in paper, representing the assumption of the old McCrory's outstanding debt to K&K, a Riklis-controlled entity.

The terms of the deal doomed McCrory. It started paying K&K \$5 million a year in interest on the assumed outstanding debt, draining needed capital, say creditors. Adding to the debt was the nearly \$1 million annual salary paid to Riklis and hundreds of thousands more to his advisers. The company tried to latch onto a retailing trend, converting variety stores into dollar stores, but lost money from the get-go—\$12 million in the fiscal year ended Feb. 3, 2000.

With assets of \$66 million and liabilities of \$110 million, McCrory went back into Chapter 11 in September 2001. McCrory liquidated its inventory, but couldn't pay back its secured lender, Foothill Capital, a unit of Wells Fargo &

Co., which collected on half of the \$32 million it was owed.

Where did Foothill's collateral go? Creditors say Riklis transferred art and antiques in 2000 insured for \$9 million from McCrory to Rikent, another Riklis family entity, at book value of \$4.6 million. Rikent didn't pay in cash; instead, Riklis reduced the debt McCrory owed other companies he controlled. Among other things, the transaction credited McCrory with only \$175,000 for both Piet Mondrian's "Composition with Yellow" and Fernand Léger's "Contrastes de formes," but a Riklis entity sold the Léger alone for \$2.5 million.

Other curious transactions: Two McCrory subsidiaries apparently shifted \$12.5 million in cash and notes to Riklis-controlled entities for further debt cancellation. Creditors sued Riklis in June for the \$50 million they are owed, alleging fraud and claiming that the transfer of assets was a contrivance to shield them from a planned bankruptcy. Not so, says Riklis' lawyer, Duane Werb, who claims the asset shuffling was part of a legitimate reorganization that reduced McCrory's debt by \$22 million.

That would be more believable if not for Riklis' lifetime habit of stripping assets from debt-laden companies—and leaving creditors in the lurch. At right, a sample of the shenanigans by the man who married and bankrolled Pia Zadora, and who last appeared on The Forbes 400 in 1990. **F**



The last tango? No smiles from creditors.

Corporate Graveyard

Behold the kiss of death from Meshulam Riklis, who lives on.

Company: RIVIERA

What Riklis got: Bragging rights for what was then one of the most lavish casinos on the strip.

Result: Filed for Chapter 11 in December 1991, with reported \$240 million in debt.

What creditors got: Ownership of the casino and hotel.

Company: MCCRORY CORP.

What Riklis got: Rapid expansion of a retail empire.

Result: Filed for Chapter 11 in February 1992, with reported \$540 million in debt.

What creditors got: Nothing.

Company: MCCRORY PARENT CORP.

What Riklis got: Transferred 90% of the assets to companies he controlled.

Result: Filed for Chapter 11 in February 1992 with about \$500 million in debt.

What creditors got: Next to nothing.

Company: E-II HOLDINGS

What Riklis got: More than \$500 million in assets transferred from holding company for Samsonite luggage to other companies he controlled, say bondholders.

Result: Filed for Chapter 11 in July 1992, with \$1.5 billion due bondholders.

What creditors got: 46 cents on the dollar plus ownership in reorganized company.

Company: DYLEX

What Riklis got: \$8 million in cash (U.S. dollar equivalent) to his companies.

Result: Canadian retailer filed for bankruptcy in August 2001, with debts of \$50 million.

What creditors got: 18 cents on the dollar.

Company: MCCRORY CORP.

What Riklis got: \$30 million of assets to companies he controls.

Result: Filed for Chapter 11 in September 2001, with debts of \$110 million.

What creditors got: Secured lender got about \$15 million; the rest, nada.

Every Penny Counts

Selling everything for 99 cents made Dave Gold a fortune.

By Brendan Coffey

DAVID GOLD AND ERIC SCHIFFER glide through tony Los Angeles restaurant Tamayo, bestowing gratuities on the maitre d', a busboy and a waitress. But it's not dollars they're doling out; it's vouchers for one free item at any one of their 99 Cents Only stores dotting the Southwest.

"If they use the coupon, they'll probably buy \$8 or \$9 worth of stuff, so it's worth it," says chain founder and Chief Executive Gold as company President Schiffer scans the room. The waitress raves about a wine she picked up the week before, an Oregon pinot noir that retails for \$6 elsewhere. Gold tells her there are still 2,000 cases left of the 17,000-case closeout buy the company made the month before. "It's a good wine. It's not a bargain if it isn't good," he adds.

Kitschy promotions, memorable bargains and low overhead (it's based in a no-

frills warehouse in run-down City of Commerce, Calif.) have made 99 Cents Only one of the most successful retailers around and put Gold, 70, on The Forbes 400 this year, with a \$650 million fortune. He joins 18 other retailers on our list. It is perhaps surprising to discover that the combined retail fortunes on these pages come to \$113 billion, just shy of the total for technology. And while Bill Gates is easily the world's wealthiest person, \$43 billion by our reckoning, if Sam Walton were alive today and had not dispersed shares to descendants, his stake in Wal-Mart shares would be worth \$99 billion.

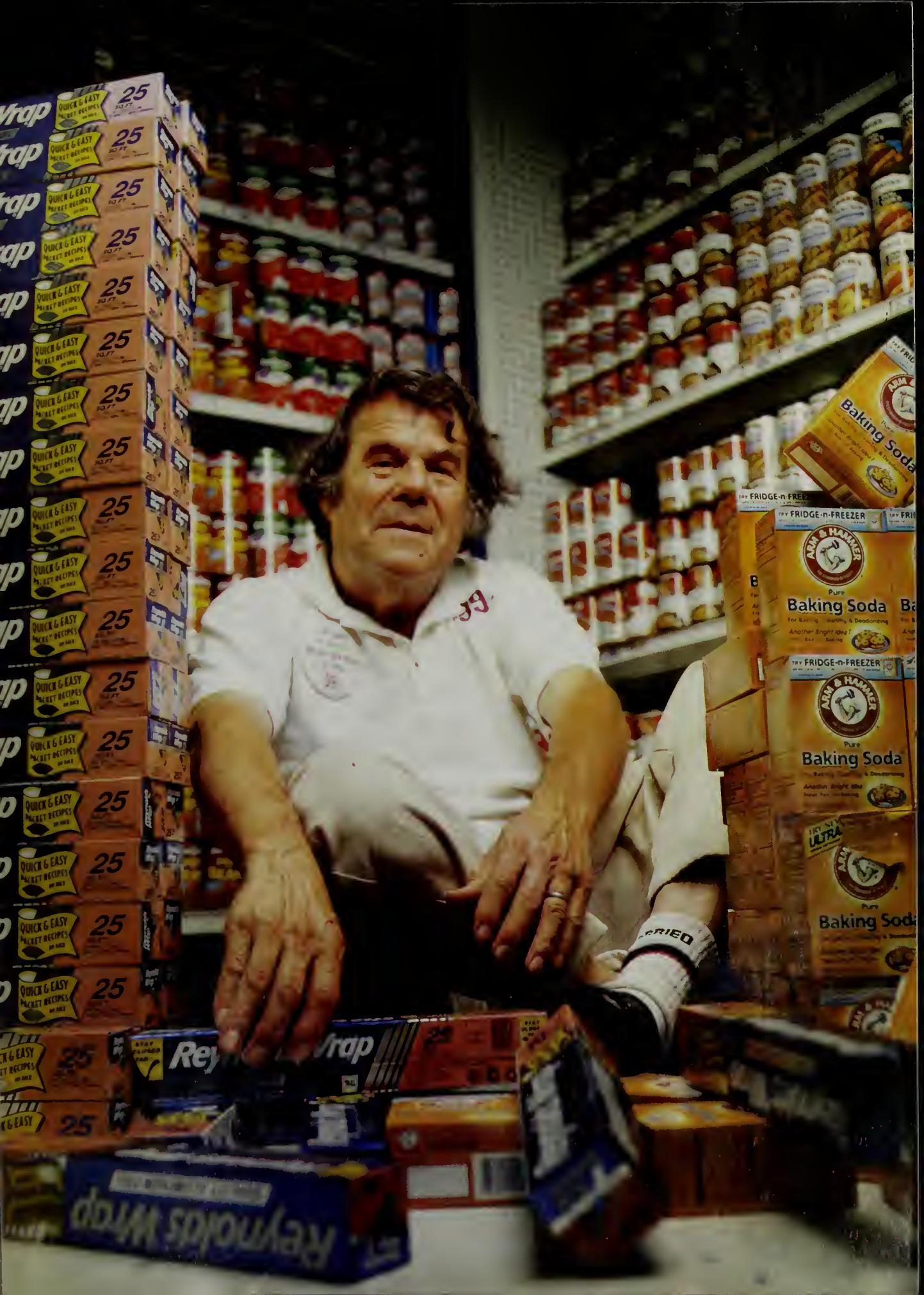
Frank W. Woolworth created his five-and-dime empire a century ago, and Sebastian S. Kresge followed close behind. Their chains are out of fashion (Woolworth's survives in shoe stores; Kresge's as the bankrupt Kmart). But Gold's adapta-

tion of Woolworth's idea is not. Over the past five years, combined sales at 99 Cents and three similar chains have grown 20% annually, far more than in any other retailing segment, says Merrill Lynch analyst Daniel Barry.

For the moment, no one runs a dollar store better than Gold. His cast-off merchandise is so attractively displayed that a photo of one store interior by the famed Andreas Gursky has hung in Manhattan's Museum of Modern Art. Even officials in Lancaster, Calif., who tried last year to invoke an urban-blight law to force 99 Cents out (to make way for a Costco expansion) admitted to the court that they "loved" the store. Gold won the suit.

Gold's 142 stores, all in California,

99 Cents' David Gold: "Rich people love bargains. That's how they got rich."



Nevada and Arizona, pull in on average \$4.7 million a year from 15,000 square feet of space. Gold's gross margin is 40%, meaning that a 99-cent item costs him only 60 cents. That's double the gross margin at Wal-Mart, and Gold's net margin of 8% is better than double Wal-Mart's, too.

Typically, 40% of the 6,000 items stocked in a 99 Cents store are closeouts. Gold once purchased 700,000 three-packs of *Star Wars: The Phantom Menace* underwear made by Fruit of the Loom. The company bought the lot in 2000 for \$500,000, unveiling them when the next installment of the movie franchise hit theaters last year. More recently, the tail end of the gardening season made 500,000 rosebush plants available for 99 cents apiece. Three months earlier you would have seen them for \$15 in Home Depot.

Such deals aren't easy to come by, but Gold motivates his buyers to find them by paying them at least \$75,000, twice as much as they would get at more stylish stores, and by handing out stock options liberally (to all nonfamily employees who have been there six months). He also holds a twice-weekly open-buyer meeting, a nearly extinct retail practice, where any vendor can attend and pitch a product. On the occasion when the offer is for more than anybody can unload in a mere 142 stores, 99 Cents runs the surplus through its \$56 million (sales) Bargain Wholesale division, which sells primarily to other dollar stores.

Gold sees to it that 60% of merchandise carries recognizable brand names like Coke and Safeguard. Many of the branded goods are specially packaged for sale by the company. Less than 2% of the inventory consists of no-name trinkets that people rarely have reason to buy more than once, like kitten statuettes or pliers. By contrast, other dollar chains dedicate 45% of their space to such items.

Here's another nice trick: Every 99 Cents location opens 15 minutes earlier and closes 15 minutes later than the posted hours. No small shopkeeper would ruin a sale simply because closing time has come, Gold explains. And he has never allowed any kind of negative signs like "No shoes, no service" or "We don't make change," only positive signs saying "Come as you are" or "We gladly make change."



Gallo

Huizenga

McMahon

Blue-Collar Dollars

Lowbrow ventures are an integral part of many lasting Forbes 400 fortunes.

Vince McMahon: Professional wrestling

Michael Ilitch: Little Caesars pizza

Mel Simon: Producer of teen romp *Porky's*

Ernest Gallo: Night Train, Boone's Farm wines

Robert Petersen: *Hot Rod*, *Guns & Ammo*

Wayne Huizenga: Waste management

J.R. Simplot: French-fried potatoes

James & William France: Nascar

Edward Gaylord: Grand Ole Opry

John Anderson: Budweiser distribution

William Wrigley Jr.: Chewing gum

The retail mentality is so ingrained that when a photographer asks Gold to pose with his hands in his pockets, he repeatedly and steadfastly refuses: In retail, that means you're not working. "My father never hired anyone who put their hands in their pockets," Gold says.

The son of Russian immigrants, Gold started helping out at their Cleveland fruit stand as soon as he started grade school. Retailing was in his blood; academics wasn't (he dropped out of L.A. Community College). In the early 1960s Gold and his wife, Sherry, owned a liquor store in central L.A. In an attempt to goose sales of slower-moving wines, they stocked a shelf with a banner offering: "Wines of the World. Your Choice: 99 Cents." Gold dreamed, and talked, about running a whole store full of such bargains, but he was 50 by the time he reached his decisive moment. As Gold and his wife were driving back from the airport, a since-deceased friend, James Wayner, lost patience with Gold when he yet again mentioned the 99-cent idea. "Damn it," Wayner shouted, "I'm sick and tired of hearing you talk about the 99-cent store! Look, there's a store for rent right now. Why don't you

grab that one?" He made Gold pull over and inquire about the space. Gold struck a deal that day.

Gold drummed up publicity for the store by blanketing the neighborhood with flyers offering televisions for 99 cents, a promotion that created lines around the block. The family then took turns calling local television stations asking what all the commotion was. The ploy drew film crews from each local station, including a fledgling CNN bureau, all of which ran stories on the evening news. The TV coverage led to a front-page newspaper story the next day. Gold bought 13 black-and-white TVs for \$150 apiece for the first-come, first-served promotion. He still continues the practice.

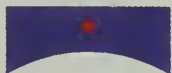
The bargain hunters made one big mistake. In 1998 they paid \$17 million, a 50% discount from book value, for Universal International, a struggling collection of 74 discount stores. "We thought we could buy this chain really cheap, put our merchandise in there, and give them advice over the phone," says Schiffer, 41, a onetime venture capitalist who joined the company in 1991 after marrying Gold's daughter, Karen. The reality: awful logistics of having stores scattered across upstate New York, Minnesota and Texas, and conflicts with Universal's managers. Gold bought the division himself for \$34 million, in order to get the mess off the books of 99 Cents, only to fold it a loss months later. "The person who makes the decision is the last to realize it when it doesn't work," Gold laments.

Gold and Schiffer aim to take on the much larger Family Dollar and Dollar General chains with a grand national expansion, to 2,240 locations 12 years from now. One big difference between 99 Cents and the other two is that 99 Cents prefers to go into middle-class neighborhoods, while the competitors target areas down the income scale. Gold's reasoning: Blue-collar people will go to good neighborhoods, but the middle class won't travel to poor neighborhoods. The best-performing store in the 99 Cents chain is on Wilshire Boulevard, on the border of Beverly Hills. The store draws a steady stream of BMWs and Mercedes. "Rich people love bargains. That's how they got rich," he says. That's how he got rich, too. **F**



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Trailer King

Who better to build a fortune in mobile homes than someone who grew up on the wrong side of the ballfield?

By Monte Burke

UNDER A CLOUDLESS SKY IN Knoxville, Tenn., James Lee Clayton straps himself into his black Bell 407 helicopter and eases the seven-seater off the ground. The 68-year-old cranks up Eric Clapton on the stereo and winds his way between the Cumberland and Smoky mountains. Twenty minutes later Clayton lands the whirlybird at his summer getaway, a cedar-sided joint fitted out with patio furniture straight out of Wal-Mart.

Of his five residences—which include condos in Colorado, Florida and South Carolina, as well as a brand-new 14,000-square-foot house in Knoxville—Clayton says this is his favorite. “I get more thinking done, more work done and have more sex in this place than anywhere else in the world,” he declares. “This place” is a double-wide for which he paid \$45,000 in 1991.

So not every trailer is inhabited by a chain-smoking couple with tattoos. This mobile-home owner is worth \$620 million. He made that money manufacturing, selling and financing homes like this one.

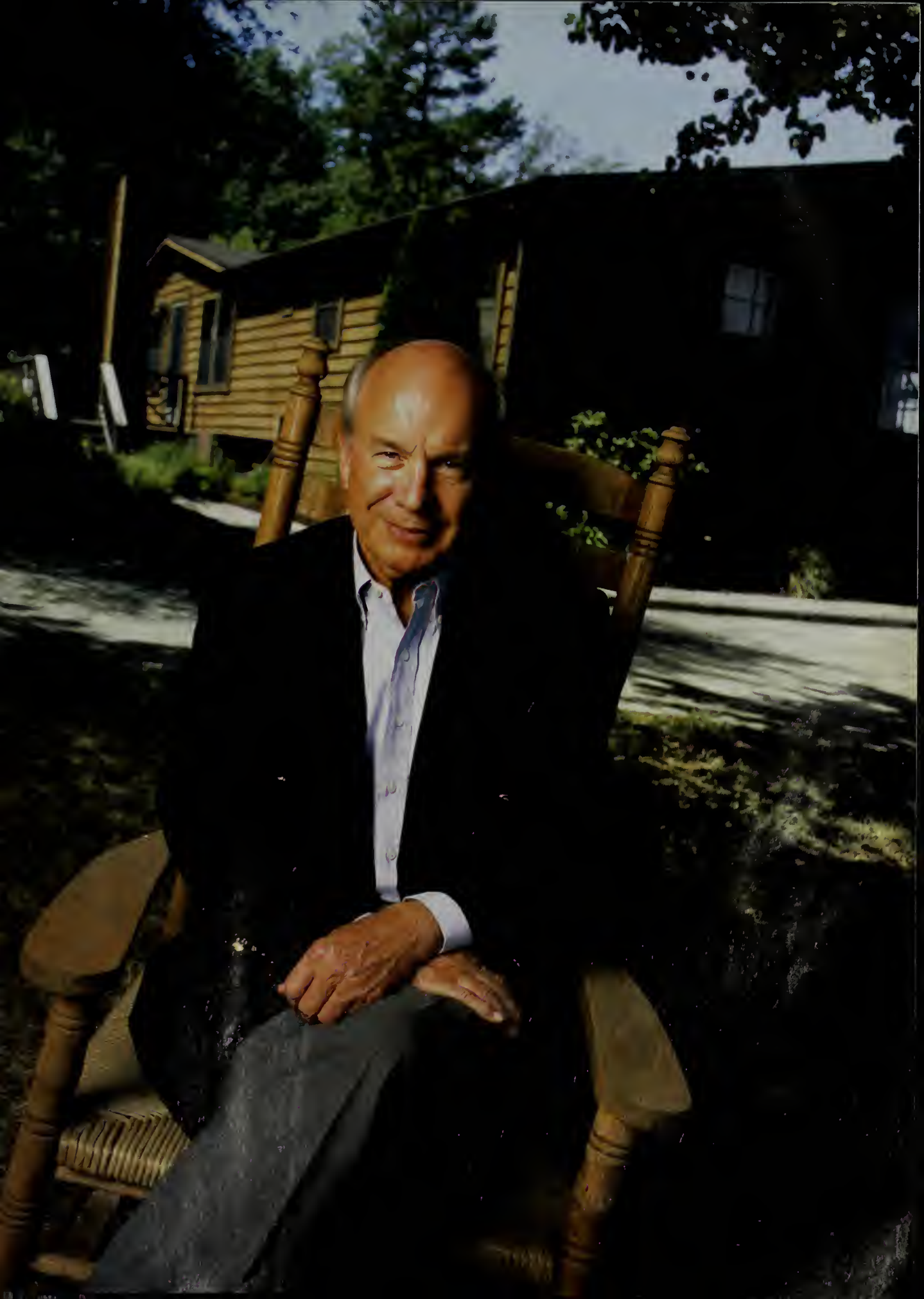
Padding around the 15-acre site on Fort Loudoun Lake, Clayton describes how his hardscrabble beginnings and an early business failure steeled him to survive in a boom-and-bust business. Conspicuous in the history of Clayton Homes is the near absence of leverage or daredevil growth. At the moment, the mobile-home sector is suffering one of its periodic busts, but Clayton Homes is not suffering like its competitors. Its Big Board-listed shares are down only 33% from their alltime high. The shares of Champion Enterprises, the biggest mobile-home maker, are down 90%. Shares of Oakwood Homes, which during the

last boom beat out Clayton in a bidding war for another manufactured housing company, are down 99%.

Clayton grew up in rural western Tennessee, the son of a sharecropper. His father borrowed money for seeds, fertilizer and tools, money to be repaid from the proceeds of the cotton harvest. The whole family pitched in to make ends meet. “Picking cotton is one of the most horrible—and boring—things you can do,” Clayton recalls.

Clayton’s mother worked in a shirt factory next to a baseball field. When Clayton and his brother, Joseph, showed up to play, they were always chosen last. “We weren’t as good as the other kids because we were working in the field all day while they were

From sharecropper’s son to mobile home mogul: Jim Clayton and his double-wide.



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While there are instances when moderation should be exercised, redesigning the all-new Accord clearly was not one of them. Consider the Accord EX V-6. It now flaunts a 240-hp engine, a leather-trimmed interior with heated front seats and an available voice-activated navigation system. Modest? Perhaps not. Sensible? But of course.

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playing ball," he says. "We started to realize that we did not dress as well and did not know how to move around socially like the postmaster's son or the banker's son. Our dad worked longer than the other dads did."

Clayton was intent on finding a future away from the cotton fields. "There were three ways to break out of that kind of life," he says. "Go to Pontiac and build cars, join the military or make it to the Grand Ole Opry like Eddy Arnold."

He chose the latter, spending his nights learning how to flat-pick on the guitar, his fingers bloodied by cotton-picking. Clayton never made it to Nashville, but he paid for his engineering degree from the University of Tennessee by playing on a Knoxville radio station. (He still plays guitar and has serenaded shareholders at annual meetings.)

In college he sold his first car, an old Kaiser-Frazer, for \$295, and was inspired. Within half a year he had six fraternity brothers working for him, brokering cars out of their frat house. As a junior in 1956, he founded Clayton Motors with his brother, Joe. Soon he was buying up lots and selling used cars all over Knoxville. But he expanded too fast, and when Hamilton National Bank called in his debt in June 1961, he could not pay.

The bankruptcy was humiliating. "I couldn't finance a car for two years," he says. "It was on the front page of the newspaper. My parents thought for sure that we were going to jail." Clayton entered law school that September. "I made a pact with myself that I haven't violated: I was never going to be vulnerable to a bank again."

The law degree was only a temporary distraction. He got back to business, buying



Going Mobile

Despite their reputation as tornado magnets, manufactured homes are an attractive option for lower-income buyers.

22 million Number of Americans living in manufactured homes.

\$26,900 Median income of a mobile home owner.

14% Clayton Homes' market share.

193,229 Number of mobile homes shipped in 2001.

\$48,800 Average price of a manufactured home.

\$164,217 Average price of a site-built home (excluding land).

Sources: Manufactured Housing Institute; Clayton Homes company documents.

a mobile-home retailer in 1966 across the street from one of his old car dealerships.

Four years later Clayton Homes added a factory, and the business took off. In 1973 he sold 700 homes from that one lot alone. In 1974 he added a financing arm. In 1988 he put the company into trailer park ownership. It has 82 parks, renting spaces (at \$170 to \$300 per month) to 16,000 homeowners. If it ever felt so inclined, Clayton Homes could distribute that real estate to shareholders as an investment trust worth \$400 million, says Wachovia Securities analyst Robert Marshall.

Clayton Homes' retailing arm, which moves 60% of the 20,000-unit annual output of its factories, has gimmicks to maintain prices. In Knoxville, for instance, the company uses the names Clayton, Luv, Country Squire, Crossland and International for its retailers. That way the customer thinks he is shopping around, when in fact he is looking at five different Clayton models. It's still not an upscale business,

but at least trailer homes are participating in the upward drift in the quality of the country's housing stock. You can get a trailer with a basement, hardwood floors, stainless steel appliances, island kitchen and siding that reaches to the ground.

There are two ways for a mobile-home company to get into trouble during a boom phase. One is to get too big, adding factories and employees. The other is to sell to bad credit risks. Even if the financing is coming from outside (such as the mobile-home mortgage operation at seedy Con-seco), a weak buyer comes back to haunt the seller. Sooner or later the repo man is going to put that home back on the market to compete with new homes.

Clayton wants his employees to think about what happens to the home after the initial sale. "We knew that we had to build solid homes because we would be financing them for 30 years," he says. Clayton Homes' retail managers are paid a tiny base salary (\$19,000 a year), but they get 40% to 50% of the profits of their stores. The manager also gets a cut of the mortgage payments (as much as \$30,000 a month) on homes financed at his branch. A sour loan cuts into the manager's income. Only 2.3% of the homeowners with a Clayton mortgage are 30 days delinquent, roughly half the delinquency rate at Oakwood.

After six years of hell-for-leather expansion, the mobile-home industry fell apart in early 1999. Since then 80 factories and upwards of 4,000 retail outlets have shut their doors. Clayton has closed only 31 retailers and none of its 20 factories. Some big competitors were in the red last year, but for the June 30 fiscal year Clayton just reported its 28th consecutive year of profit—\$124 million, up 16% from the year before, on revenue of \$1.2 billion.

Having entrusted day-to-day management of the company to son Kevin, 39, Jim Clayton has time for diversions. In 1993 he bought a Knoxville bank and installed it in a building one block away from the bank that called his loan back in 1961. Last December he bought a bank in Henderson, Tenn., two blocks from the factory where his mother once sewed shirts. "He plays all of those things down," says Kevin. "But I think for him they serve as reminders."

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The March of the 400

If you get to \$1 billion, don't rest on your laurels. Capitalism has a knack for crushing old fortunes and churning up new ones. **By William P. Barrett**

IT CHANGED THE WAY AMERICANS look at wealth and the wealthy—or at least made it easier to gawk. The first Forbes 400 annual roster of the biggest personal hitters in the world's biggest economy appeared two decades ago this month. The publication occurred just after, as it turned out, the start of history's longest bull market.

The list was condemned, by people who thought that it glorified the worst excesses of capitalism. It was applauded, by people who saw it as proof that America is the land of opportunity. Both admirers and detractors were probably surprised by what has happened in the 20 years since: a huge turnover in the names. Only 58 individuals on that 1982 list have appeared on all subsequent rosters. Thirteen percent of the 1982 list came from

10 of the last 11 years, didn't debut on the FORBES list until 1986 (see p.82).

As a publishing venture The Forbes 400 was an instant sensation—and an addition to the vocabulary. The ranking has been cited to bolster diverse political views (such as Communist Party U.S.A. boss Gus Hall's proposal for an "excess wealth" tax), used for serious research, invoked in dubious schemes, imitated and joked about. Typical fare: the *Chicago Tribune* cartoon of a newspaper-reading wife telling her husband, "Hey, you made the list. You're number 213,441,063."

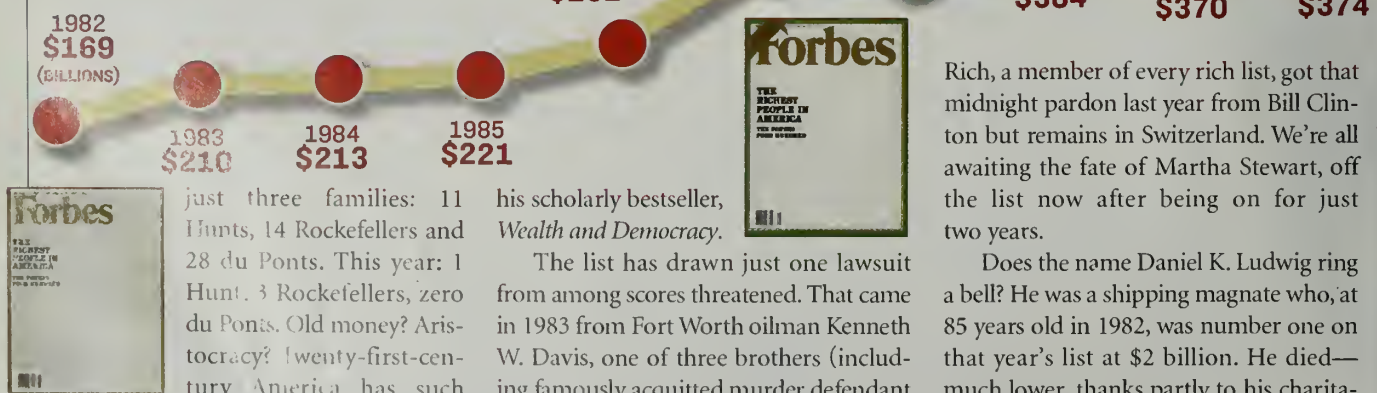
"The *National Enquirer* of the business press," EDS founder and aspiring politician H. Ross Perot fumed upon the occasion of his number 68 listing in that first edition at \$325 million. A "great resource," author Kevin Phillips wrote this year in

quest to bar a repeat listing. "A very significant proportion of our national wealth is controlled by The Forbes 400," Belew ruled. "Money is power, and the wealthy wield great power and influence economically, socially and politically in this country, and the American public has a right to know who they are." In 1985 Davis got his wish to get off the list—after the bankruptcy of a family business.

A dozen or so rich-listers later went bust, and a similar number ran seriously afoul of the law. Current Forbes 400 member Alfred Taubman just began a one-year jail term for rigging art auctions. Ex-lister John Eleuthère du Pont is serving 13 to 30 for murder. Marc

Rich Rewards

Adjusted for inflation, the aggregate net worth of The Forbes 400 has increased 423% since 1982. The S&P 500: up 353%.



just three families: 11 Hunts, 14 Rockefellers and 28 du Ponts. This year: 1 Hunt, 3 Rockefellers, zero du Ponts. Old money? Aristocracy? Twenty-first-century America has such things, but they are only a shadow of what they have been at other times and in other nations. Bill Gates, number one for

his scholarly bestseller, *Wealth and Democracy*.

The list has drawn just one lawsuit from among scores threatened. That came in 1983 from Fort Worth oilman Kenneth W. Davis, one of three brothers (including famously acquitted murder defendant T. Cullen Davis) on the 1982 list at a combined \$600 million. U.S. District Judge David O. Belew Jr. dismissed Davis' re-

Rich, a member of every rich list, got that midnight pardon last year from Bill Clinton but remains in Switzerland. We're all awaiting the fate of Martha Stewart, off the list now after being on for just two years.

Does the name Daniel K. Ludwig ring a bell? He was a shipping magnate who, at 85 years old in 1982, was number one on that year's list at \$2 billion. He died—much lower, thanks partly to his charitable donations—in 1992. Indeed, no one among the top 20 on the 1982 list is similarly situated this year.

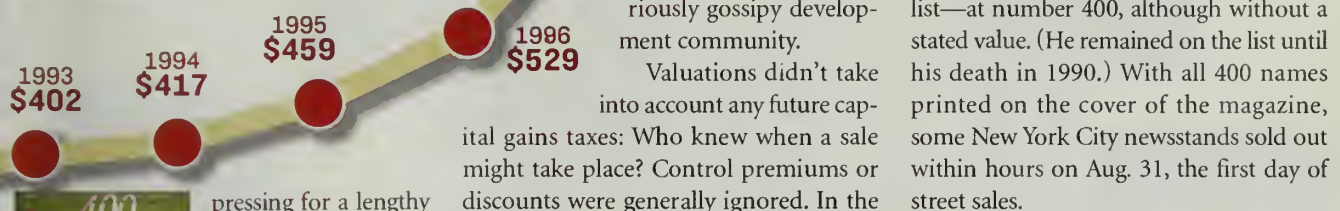
FORBES invented the practice of ranking the entire country's wealthiest on a continuing basis. But there have been stand-alone efforts, some going way back. Regional lists in New York and Philadelphia appeared during the mid-19th century. In 1892 the *New York Tribune* published a list, stunning in its sweep, of the 4,047 Americans worth at least \$1 million (a mere \$20 million today). The *World Almanac* mounted a similar effort in 1904. Several books, including *History of the Great American Fortunes* (1907) by Gustavus Myers, *The Robber Barons* (1934) by Matthew Josephson and *America's Sixty Families* (1937) by Ferdinand Lundberg, focused attention on wealth valuations.

One-shot lists appeared from time to time in various local and national magazines—including a list of 30 in the Mar. 2, 1918 edition of a one-year-old biweekly named after its founder, the Scottish immigrant B.C. Forbes. At the top: John D. Rockefeller at \$1.2 billion, equivalent to \$14 billion in today's money.

In the late 1970s B.C.'s son Malcolm S. Forbes, who had become the magazine's editor-in-chief and sole owner, was inspired to produce a ranking. Unaware of his father's 1918 effort—he was born a year later—Malcolm started

New York's Fifth Avenue, of Mrs. William B. Astor Jr. Thus, with a little brand-borrowing, was born The Forbes 400 and its redolence of old money.

The inaugural list took a year to compile. Researchers pawed through Securities & Exchange Commission filings, news clippings, courthouse files of wills, trusts and divorces and state agency records of oil wells. They developed valuation methods as they went along. Where the booty was a private company, they estimated revenues, then a profit margin and then a multiple to profits at which a similar business would sell, often using public-company comparisons. Real estate fortunes were valued by looking at deed records, assessments and es-



pressing for a lengthy list of the country's wealthiest, to be updated regularly. "I was skeptical," recalls then-Editor James W. Michaels, who feared the work couldn't be done accurately or economically. But in mid-1981 Michaels assembled a team under Senior Editor Harry Seneker.

How many people to include? Upon hearing the concept, Executive Editor James Cook exclaimed, "Oh, you mean like Mrs. Astor's 400!" He was referring to the number of swells—supposedly, everyone who "mattered"—who in the 1890s could fit into the personal ballroom, on

timates of debt, and by asking around the notoriously gossipy development community.

Valuations didn't take into account any future capital gains taxes: Who knew when a sale might take place? Control premiums or discounts were generally ignored. In the absence of known problems, the corpus of a trust was imputed to the beneficiary. Candidates had to be U.S. citizens.

After months it became apparent that the cutoff—number 400—would be about \$100 million. A second list was developed for large fortunes held by families in which no one member met the \$100 million minimum.

Researchers then contacted the prospective listees—encountering abrupt telephone hang-ups, heated denials, threats, the occasional thinly veiled offer of a bribe to be kept off the list and great indignation. "I think it's a very cheap, low-class type thing to do," whined Dow Jones heir Hugh Bancroft III. "Why should she

be investigated as though she robbed a bank?" a relative of rich-lister Dorothy Stimson Bullitt would later ask. But about half of the 400 were willing, at least in part, to discuss their lives.

On Aug. 26, 1982 FORBES gave the media advance copies of the Sept. 13 issue containing the 50-page rich list package. It immediately generated headlines. "SUPER-



RICH LIST,"

screamed the front-page story in the *Dallas Morning News*. There was much titillation: tales of hidden wealth in places like Midland, Tex.; celebrities (Yoko Ono and Bob Hope); a mental-home resident (H.L. Hunt III); fugitives (Marc Rich and Robert Vesco); and even alleged mobsters (Meyer Lansky and Morris Dalitz). Malcolm Forbes himself debuted on the list—at number 400, although without a stated value. (He remained on the list until his death in 1990.) With all 400 names printed on the cover of the magazine, some New York City newsstands sold out within hours on Aug. 31, the first day of street sales.

People who didn't want to be on the list invoked dire predictions that it would be used as a roadmap for kidnappers. That hasn't happened. However, convicted swindler Abraham Abdallah was charged last year in New York City with impersonating the rich to invade their bank and brokerage accounts via computer. The *New York Post* reported police found a "dog-eared" copy of the 2000 rich list annotated with Social Security and account numbers obtained elsewhere. Abdallah pleaded not guilty and remains in jail pending trial.

In 1987 the *Chicago Tribune* ran a gushing feature headlined, "The Oak Forest Whiz Whom FORBES Missed," about

one Bill Stoecker, described as a 30-year-old entrepreneur with many companies and a \$250 million net worth. The response from FORBES: a 1988 article suggesting Stoecker's fortune was mostly debt and little equity. Within two years he went bust, later being acquitted of bankruptcy fraud. Malcolm Forbes once

received a handwritten note from Keith Gormezano of Seattle, claiming a \$120 million net worth. Alerted by a query from FORBES seeking background, the *Seattle Post-Intelligencer* exposed Gormezano as a hoaxer.

FORBES predicted that there would be early miscues but that the precision

of the data would increase over time. We put John Dorrance III on the first list with 2 million shares of Campbell Soup; it turned out he owned 2 shares. Comedian Bob Hope challenged his \$200 million valuation. "If I had that kind of money, I wouldn't have gone to Vietnam, I would have sent for it," he

Richest Person



Daniel Ludwig
\$2 BILLION
Shipping



Gordon Getty
\$2.2 BILLION
Oil



Gordon Getty
\$4.1 BILLION
Oil



Sam Walton
\$2.8 BILLION
Wal-Mart



Sam Walton
\$4.5 BILLION
Wal-Mart



Sam Walton
\$8.5 BILLION
Wal-Mart



Sam Walton
\$6.7 BILLION
Wal-Mart



John Kluge
\$5.2 BILLION
Media



John Kluge
\$5.6 BILLION
Media



John Kluge
\$5.9 BILLION
Media



Bill Gates
\$6.3 BILLION
Microsoft

Two Decades of Wealth

Jerry Yang said it best: "It's weird and unreal—and unsustainable. It could all go away tomorrow."
—research by Lauren Gee

AVERAGE NET
WEALTH
1982
\$230 mil
2000
\$3,000 mil



Gene Autry
first appears
on the list

Other
entertainers on
The Forbes
400 have
included:

**Steven
Spielberg**

**Oprah
Winfrey**

George Lucas

Yoko Ono

Merv Griffin

Dick Clark

Bob Hope
disputes
assessment:
"If my estate's
worth over
\$50 million,
I'll kiss
your ass!"



Bill Gates
makes
the list

Others to
appear for
the first time
include:

Henry Kravis

Ralph Lauren

Mike Milken

Frank Perdue

Aaron Spelling

Sam Zell

Charles Dolan

Paul Fireman

SOURCE OF
WEALTH BY
INDUSTRY

26%
Manufacturing

21%
Real Estate

17%
Media

16%
Oil and Gas

11%
Finance



Ivan Boesky
is off the list

Other jailbirds
who have
been on
the list
include:

Mike Milken

Al Taubman

**John E.
du Pont**



**Steven
Spielberg**
falls off
the list

Others who
have fallen off
but made it
back on
include:

Steve Jobs

Donald Trump

Gordon Moore

**Sumner
Redstone**

Michael Dell

SOURCE OF
WEALTH BY
INDUSTRY
20%
Manufacturing
16%
Finance
15%
Real Estate
10%
Media
7%
Oil and Gas



**Paul
Allen**
was
of 5
men
under

Gate
36 i
your
num

Other
your

**Steve
Ball**

Mich

Dell

Carl

Gett



Michael Dell
first appears
on the list

Number of
Billionaires



82



83



84



85



86



87



88



89



90



91

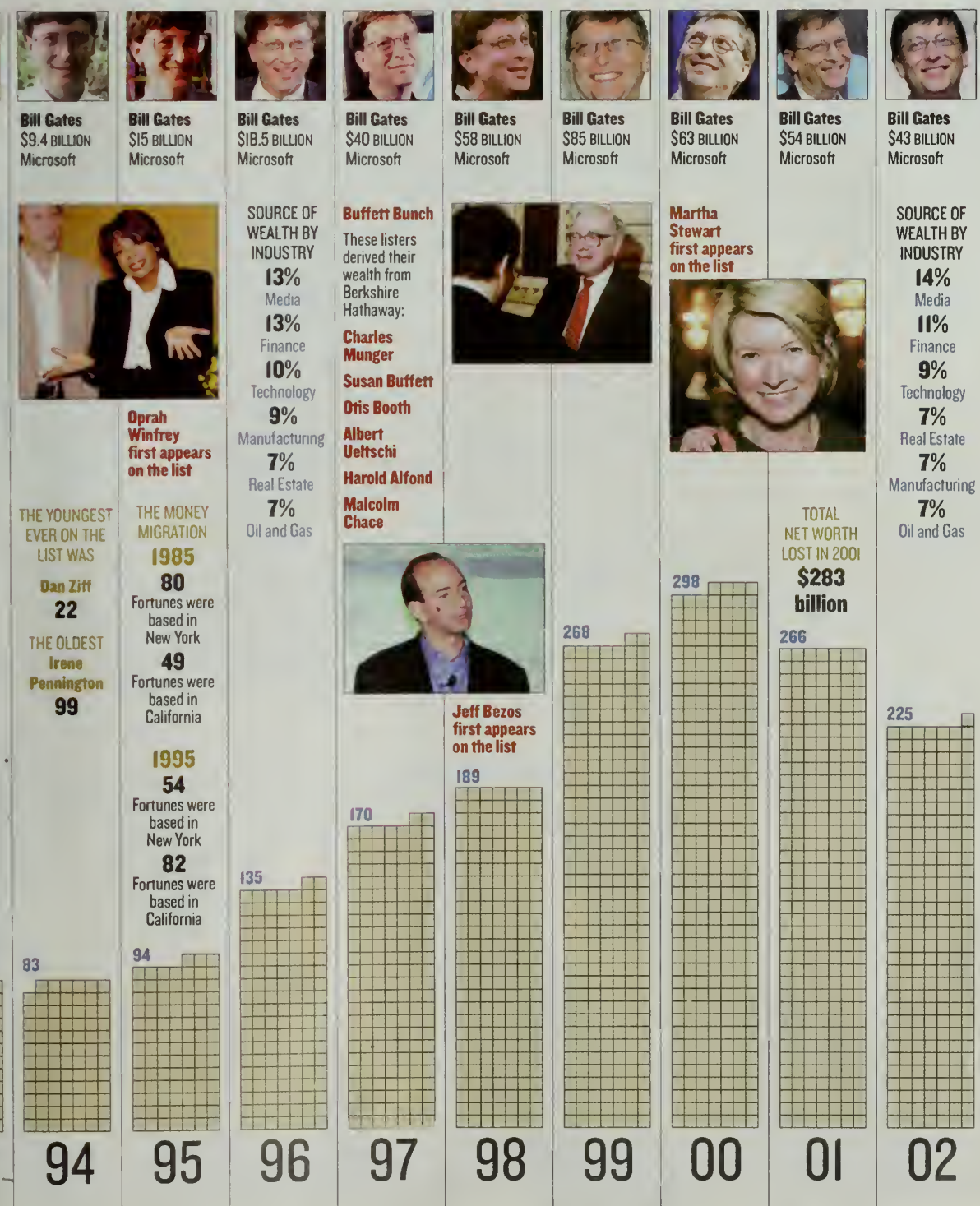


92

cracked. He went off the list in 1984 after we found that much of his southern California land was undevelopable and that he was probably worth \$115 million, below that year's cutoff of \$150 million. In 1994 researchers learned that two low-profile du Pont heiresses on the list, Mariana Silliman and Eleanor Rust,

had been dead for several years. We got better at finding people who didn't want to be found. It was by reviewing state filings from Topeka, Kans. in the late 1980s about privately held Koch Industries that a researcher discovered a 16% stake belonging to a then-unknown Houstonian named J. Howard Marshall II. After

making the rich list in 1989, he later became even more famous as the 90-year-old husband of flamboyant model Anna Nicole Smith. We probably still haven't uncovered every last American who ought to be included, but they're finding it harder to hide. **F**



LEFT TO RIGHT, TOP ROW: MARTY KATZ / ROGER RESSMEYER / CORBIS (2); AP / WIDE WORLD; ELI REICHMAN / TIMEPIX; ROB NELSON / TIMEPIX; OIANA WALKER / TIMEPIX; ROB KINMONTH, CORBIS SYGMA; AP / WIDE WORLD
SCOTT ECKLUND / LIAISON / GETTY IMAGES; AP / WIDE WORLD; ORICK HALSTEAD / LIAISON / GETTY IMAGES; AP / WIDE WORLD (5); LORI CAIN / BLOOMBERG NEWS; JOHN RIZZO / BLOOMBERG NEWS; AP / WIDE WORLD
LEFT TO RIGHT BOTTOM: AP / WIDE WORLD (2); HULTON ARCHIVE / GETTY IMAGES; AP / WIDE WORLD; GLENN WAGNER / CORBIS; PAUL HARRIS / GETTY IMAGES; MATTHEW MCVEY / CORBIS
AP / WIDE WORLD; ANDREW SERBAN / BLOOMBERG NEWS; AP / WIDE WORLD; ANDREW SERBAN / BLOOMBERG NEWS

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Who Is Chico Sabbah?

How last year's terror attacks uncovered—and imperiled—a long-secret fortune.

By Edward Cone

ON SEPT. 10, 2001 THE AMERICAN Hebrew Academy welcomed the first students to its 100-acre campus in Greensboro, N.C. The only Jewish boarding school in the U.S. with a non-Orthodox curriculum, AHA had a secret benefactor—one Maurice (Chico) Sabbah. Sabbah had accumulated immense wealth in the reinsurance business and poured \$100 million of it into the school. As Sabbah took in the excitement of opening day, he had the extra satisfaction of knowing that he had succeeded in creating both AHA and the fortune behind it while remaining almost completely unknown to the public.

The next day put an end to Sabbah's anonymity and destroyed the companies that had made him rich. Fortress Re, based in nearby Burlington, had dominated a critical niche of the commercial aviation

reinsurance business, while a sister company, a Bermuda-chartered reinsurer called Carolina Re, was distributing a small fortune in dividends to Sabbah and his partner, Kenneth Kornfeld. The terrorist attacks devastated Fortress and the big Japanese reinsurers it represented. One of those companies, Taisei Fire & Marine Insurance, has filed for bankruptcy, and another, Nissan Fire & Marine Insurance, is suing Fortress and its principals for fraud. Fortress says it did nothing wrong.

Sabbah, 73, had never spoken with the press, and for three years he rebuffed our requests for an interview. This summer, though, with his cover blown and his school in need of publicity, he agreed to speak. He says that anonymity always seemed the natural course for him, a private man in a secretive business. "I don't hide, but I don't advertise," he says. "I don't get satisfaction for what I did by hav-

ing you tell me it was good."

Sabbah did not become rich until late in life. At 45 he was making a good living at an obscure unit of a big insurance company, but there was nothing to suggest that he would one day be making nine-figure gifts to anything. When the big money hit, he wasn't interested in yachts or a trophy wife. "I was faced with all this wealth, and I just wasn't geared for it. I wasn't about to change my lifestyle," he says. "I came into this world with nothing, and I will leave with nothing."

The demise of Fortress and Carolina Re raises the question of Hebrew Academy's future. It appears that Nissan's lawyers want to learn more about Sabbah's charitable contributions and personal wealth, suggesting that they would come after those assets if given the chance. Other donors may step up to the plate: Members of the school's board of trustees include p.r.



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guru Gershon Kekst and financier Michael Steinhardt.

Sabbah insists that the school is here to stay. He says that at least \$50 million, covering the next ten years of operating expenses, is in the bank, and that his (for now) ample estate will go to the school. If other donors can be persuaded to finish the \$250 million construction plan, he can focus on creating an endowment of up to \$500 million, he says.

Everything about the AHA has been conceived on a grand scale, in keeping with Sabbah's vision of a boarding school that could compete almost overnight with the elite New England prep schools. In 1998 the school paid \$10 million for prime acreage in a high-end Greensboro neighborhood and commissioned Aaron Green, a protégé of Frank Lloyd Wright, to design the campus (Green died last year). Buildings constructed of imported Jerusalem

Sabbah, raised in Brooklyn and suburban Great Neck, N.Y. by an Egyptian-born father and an idealistic Zionist mother, attended the University of California, Davis to study agronomy of subtropical environments—those similar to the climate of the land that became Israel halfway through his college years. "I wanted to be a farmer in Israel," says Sabbah. His voice still suggests Brooklyn, and it is easy to see that his frame, though frailer with age, was hardened by his days cutting alfalfa on a kibbutz in Israel. After that (and after serving in both the Israeli and U.S. armies) he joined Public Service Mutual Insurance in New York. There he helped build a reinsurance business that thrived as a series of disasters, including Hurricane Betsy in 1965, laid low many competitors.

In 1972 he was working in a Burlington, N.C. office of Penn General Agencies, where he replaced the traditional high-fee

Carolina. State insurance regulators in North Carolina paid no mind to its potential liabilities or the assets covering them.

By the 1990s aviation had become the predominant business of Fortress. In time, it was acting as middleman for nearly half of the reinsurance premiums covering losses amounting to \$50 million to \$400 million per crash. Profits flowed, for both Fortress and the insurers it represented. Fortress claims it produced \$2 billion of profits for its clients.

Companies Sabbah and Kornfeld represented were on the hook for a portion of the liability on all four of the planes hijacked on Sept. 11, including liability on the ground. Carolina Re was supposed to cough up about 25% of the \$843 million in claims against the Fortress pool, according to court documents. It had but \$62 million in capital and surplus. Bermuda authorities declared it bankrupt on Dec. 3, 2001. Fortress is still operating, but not underwriting new business.

Nissan claims in its suit, pending in federal district court in Greensboro, that it was unaware of the extent of the obligations to which Fortress had committed it, and that Fortress had relied too heavily on so-called financial reinsurance. That peculiar beast is like a line of credit reinsurers draw on from other reinsurers to pay claims. But in this arrangement little risk is transferred. Nissan also alleges that while Carolina Re lacked the funds to pay its obligations, Sabbah and Kornfeld had managed to extract, over the years, on the order of \$400 million in the form of commissions and dividends from their companies. Nissan wants the two men to put that money back on the table. Glenn Drew, Sabbah's nephew and general counsel of Fortress Re, says the Japanese companies got all the information they requested and that Fortress and Carolina played by the rules.

If Sabbah's fortune and his charitable endeavor survive the legal battle, it still remains to be seen whether America needs a non-Orthodox Jewish boarding school. Sabbah puts this daring venture in self-deprecating terms: "We want others to participate, but it always helps to have a crazy person to get things started."

Sept. 11 put an end to Chico Sabbah's anonymity and destroyed the companies that had made him rich.

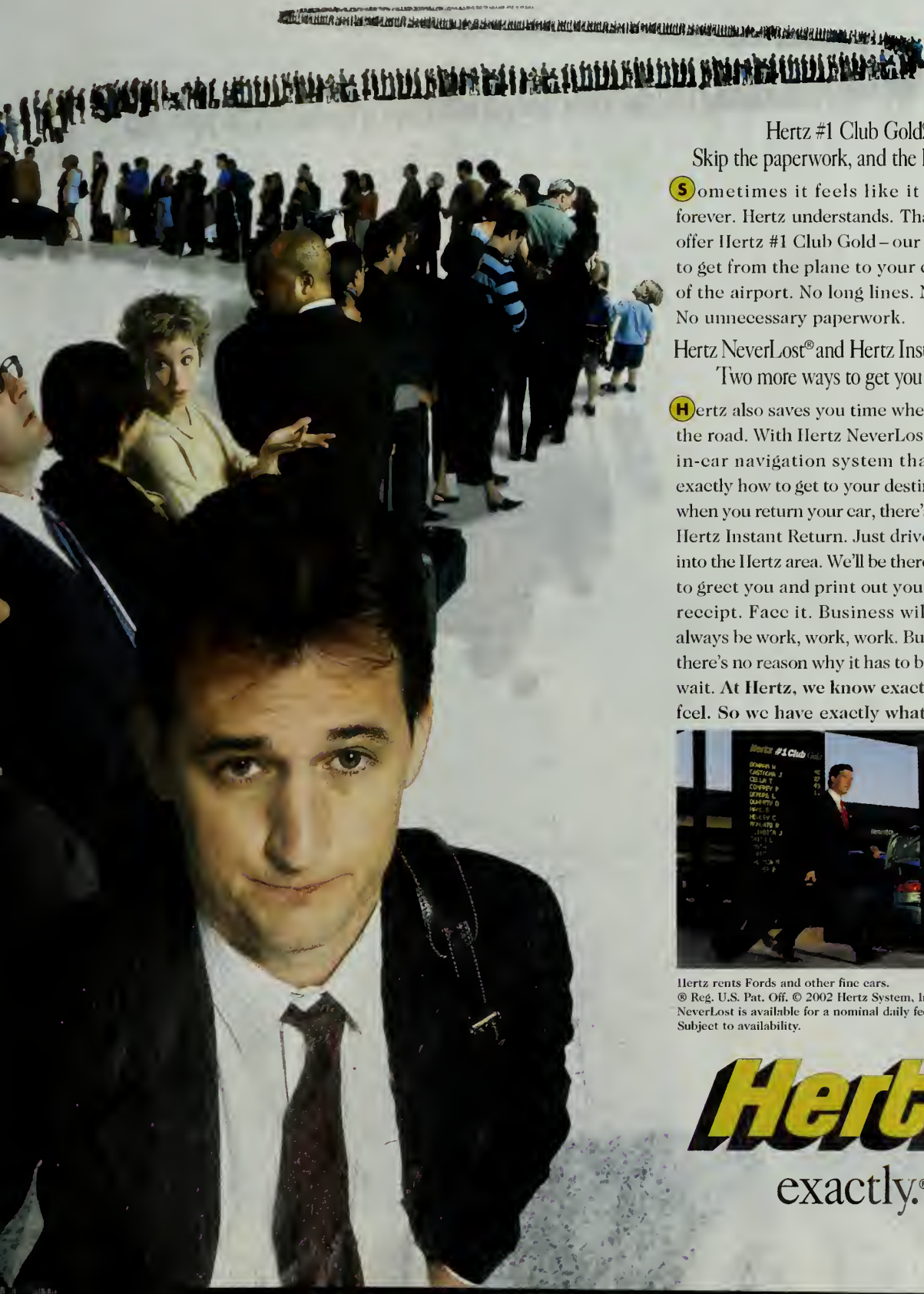
stone are heated and cooled by a massive network of geothermal wells. The first academic building completed, a behemoth rising from the North Carolina clay, has electronic whiteboards in every classroom. Dorms are spacious; the swimming pool will be 25 yards long. Sabbah's grant allowed the school to cover tuition for the first classes of ninth- and tenth-graders, about 80 kids in all, who started last fall. Students joining this fall are paying \$15,000, including room and board. The plan is to have 200 students spread across four grades a year from now.

Grandiose philanthropy had not been the style for Chico Sabbah and his wife, Zmira, who live modestly in a ranch-style house within walking distance of their Greensboro synagogue. Their previous giving included endowing homes for handicapped people in Israel (the Sabbahs have a married adult daughter). If Sabbah was all but unknown, though, his partner, Kenny Kornfeld, cut a higher profile. Kornfeld entertained lavishly and lives in an old textile Baron mansion across from the second fairway of the Greensboro Country Club.

structure for placing reinsurance with low fees plus commissions on profits. Fortress Re, as the business was eventually called, escaped the notice of regulators because it was only a managing agent, not an insurer. In 1979 Penn General sold the business to Sabbah and Kornfeld for \$700,000. Sabbah and his family kept two-thirds, Kornfeld the rest. "We had been making maybe \$35,000 per year, but we paid off our debt in a few years by working our butts off," says Sabbah.

Sabbah and Kornfeld built strong relationships with the Japanese reinsurers they represented—Nissan, Taisei and Aioi Insurance. Sabbah and Kornfeld made annual trips to Tokyo to stroke them. Insurers and other reinsurers dealt with Fortress in order to do businesses with the Japanese firms it represented, and because Fortress had a good reputation for claims payment. But why stop at being a mere agent when you could get a piece of the action? In 1984 Sabbah and Kornfeld created Carolina Re as a risk-taker in airline liability. Following the common practice in the reinsurance industry, they got a Bermuda charter for

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A Motivated Philanthropist

Once Jon Huntsman's passion was to build a chemicals empire where his sons and sons-in-law could flourish. Now his drive is to cure cancer.

By Phyllis Berman

JON M. HUNTSMAN CREATED a fortune by buying up distressed chemicals assets at bargain prices. In 2001 the tables were turned. Both he and his empire were in distress. Now, just one and a half years later, Huntsman has survived his problems, maintaining the company he built as the largest private chemicals company in the world.

Actually Huntsman has two operations: the U.S. one, which makes bulk chemicals like polypropylene, and his international business, which makes higher-margin specialty chemicals like polyurethane and titanium dioxide. Both were coining money until two years ago, when the domestic plants were caught in a squeeze between depressed product prices and rising raw materials prices. When the company defaulted on interest payments on its junk bonds in January 2001, every single Huntsman adviser urged him to put his creation into Chapter 11 as a way of salvaging some of his investment, if not

control. Huntsman flatly refused.

He made the right decision—not only was he not forced into bankruptcy, but he has retained 51% control of a business well on its way to a strong financial recovery.

Huntsman had long before faced another tough fight—cancer. He had both prostate and mouth cancer, and a third variety of the disease, colon cancer, threatens him in the form of precancerous polyps. His response: the Huntsman Cancer Institute in Salt Lake City, which he founded in 1995 and into which he has poured \$225 million. Its mission is to research the genetic basis of cancer, as well as treating patients.

Huntsman, 65, started his Salt Lake City-headquartered private company in 1970. He had no other choice than to use steep leverage to build it to its immense size—revenue of \$8.5 billion worldwide in 2000, on which it cleared an operating income (net before depreciation, interest and taxes) of \$1.2 billion. That was more than enough to



LANCE CLAYTON / GETTY IMAGES FOR FORBES



There's no holding him back: Huntsman's company's not bankrupt and his battle against cancer is in full swing.

“HOW MUCH LONGER?” “WHEN WILL THE MARKET RECOVER?”

“WHAT CAN I DO?”

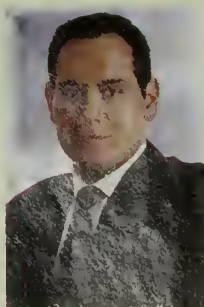
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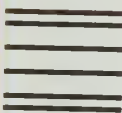
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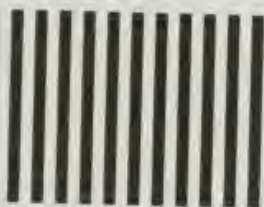
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cover the company's debt as well as capital expenditures. But when the bottom dropped out of U.S. petrochemicals last year, the business' operating income dropped by more than half to \$485 million. The company took a \$511 million one-time restructuring charge, resulting in a \$123 million loss in 2001.

Why not do as his advisers suggested? Just go into bankruptcy and force creditors to take a haircut. Says Thomas Cole, senior vice president at Deutsche Bank and a participant in the financings for all Huntsman acquisitions since 1988: "To Huntsman, bankruptcy is dishonorable. Huntsman is different from any businessman I know."

And so Huntsman has had to modify what had once been his grand plan in life—to pass on a thriving, privately held firm to his nine children, all of whom have worked at the business at

the industry's inability to export.

Now those factors have moderated. The dollar has come down against the euro and key chemicals prices have risen, but even before they did, Huntsman made sure that his financial troubles had no effect on the cancer institute. In late 2000, and again in 2001, Huntsman borrowed against his real estate and other personal assets to come up with the \$40 million he needed annually to meet his pledges to HCI, as well as other charities. He had to borrow because his banks refused to allow him to take any money out of the business.

His involvement with cancer is long-standing. His mother died of breast cancer in 1969 and his father of prostate cancer in 1990. In 1991 he was diagnosed with prostate cancer. He visited all the famous cancer centers, from Texas' M.D. Anderson to North Carolina's Duke Uni-

versity. The floor of the six-story building is devoted to cancer education and is open to anyone who walks in the door; another, overlooking the picturesque Wasatch Range of the Rocky Mountains, is for patients receiving treatment, and on top is an affordable gourmet health-food restaurant. A 100-bed hospital adjoining the institute is under construction.

That Huntsman's business survived, and will sooner or later be sold off or taken public, will certainly redound to HCI's benefit. With chemicals prices strengthening, Huntsman Corp.'s business has thrown off \$229 million in the latest quarter (and estimates are that it will produce at least \$1 billion in operating profits this year). We peg Jon Huntsman's net worth at \$2.5 billion.

That means when Huntsman cashes out, his children won't be poor, and they can take their share to start over in this

His involvement with cancer is long-standing.

His mother died of breast cancer, his father died of prostate cancer and he has had three different forms of the disease.

one time or another and together own a third of the company. To stave off corporate bankruptcy (and take \$1.1 billion of debt off his books), Huntsman gave up 49% of his equity to an investment fund that had bought 82% of the company's junk bonds on the cheap. That fund, run by David Matlin (*see related story, p. 337*), will naturally want out of its investment in five years or less. That means either taking the chemicals firm public or selling it to another chemicals giant.

The financial distress of 2001 happened suddenly. During that year the price of natural gas, the key raw material for Huntsman's U.S. plants, shot up from \$2.50 per million Btu to \$10.50 per million Btu. The jump turned the U.S. petrochemical industry from one of the lowest-cost manufacturers in the world to one of the highest. Unfortunately, at that same time new U.S. capacity was coming from the German BASF and Total Fina Elf, as well as Formosa Plastics. The strength of the U.S. dollar at that time added to

versity to Boston's Dana Farber. Despite his connections and access, his experiences dealing with the disease left him feeling powerless. "The whole process was depressing," he says.

One of his ideas for the Huntsman Cancer Institute was to use data generated by the genealogical department of the Mormon church, as well as the hospital records and state death certificates in the six surrounding states, to find the threads of cancer susceptibility written into DNA. Huntsman recruited doctors and scientists from all over the world, not only paying them well but also planning to reward them for discoveries. The bonuses will come in a mix of cash and equity in a biotechnology firm that Huntsman founded in 1999 to commercialize research coming out of the cancer institute's labs.

Then there is the treatment side of the charity. Huntsman saw to it that everyone at the institute, from the top doctors to the parking attendants, was trained to treat patients kindly. An entire

or another business. A precedent comes from Huntsman son-in-law Richard Durham, 38, who owned a one-third stake (his father-in-law, the rest) in the Huntsman packaging operation, which made polyethylene and PVC film. Huntsman sold that two years ago, using some of his \$350 million proceeds for the cancer institute. Durham will use some of his stake in a new business independent of the family.

When the rest is sold off, Huntsman knows exactly how he'll use the proceeds: He'll start up a buyout fund to acquire distressed manufacturing assets, bringing in outside partners. He'll put some money into his biotechnology firm. But, by far, the bulk will go into the institute's endowment. "Jon's motivation over time has definitely changed," says banker Cole. "The other day he told me: I don't want to be remembered simply for owning a chemical company. I want to be remembered for doing something to cure cancer—doing that will really mean something."

F



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LOW-PROFILE? NOT CHICAGO MEDIA MOGUL FRED Eychaner. He has given away millions of dollars to the Democratic Party and to the Joffrey Ballet. But just try to snap his picture. In 1997, when his alma mater, Northwestern University, honored him along with 75 other graduates, Eychaner was the only one of the group who didn't contribute a photograph. "We put out an all-points bulletin for a picture," says Associate Dean Richard Roth. "There wasn't one. We assume he exists."

He does—but he's visible only to a select few. That generally doesn't include the press or other business tycoons. It does include folks like Al Gore, for whom Eychaner threw a fundraiser inside his Lincoln Park home—an 80-foot-long concrete creation by Japanese architect Tadao Ando. "I've covered him for 20 years, and he's still an enigma," says *Chicago Sun-Times* media reporter Robert

Feder. "For all his wealth, he never shows up in the gossip columns and rarely shows up in the business pages."

He did in June, when his company, Newsweb Corp., sold its Chicago television station—WPWR-Channel 50—to Rupert Murdoch's News Corp. for \$425 million in cash. That put Eychaner's net worth at an estimated \$500 million, given his virtually debt-free TV station in Denver, several radio stations in the Chicago area and well-timed investments in media companies like McClatchy and Stauffer Communications. He'd be on *The Forbes* 400 if he hadn't sent \$100 million to his charitable foundation.

All of which makes Eychaner a man conspicuous by what he no longer owns. WPWR, in the United Paramount Network, was one of the last affiliates in the top ten markets not already in the hands of a broadcasting giant. The loosening of ownership rules by the Federal Communications Commission makes the solo

A Long Strange Trip



DAVID PLUNKERT FOR FORBES

station owner an endangered species.

"Consolidation is so overwhelming," says Eychaner during a rare interview. "Someone who has one or two stations doesn't have much clout. Duopolies are hurtling down the track, and no one is going to stop [them]."

And Eychaner seems to have gotten out of the way just in time. Considering how dicey advertising has been—WPWR's revenues bounced from an estimated \$76 million in 1995 to \$82.4 million in 2000 to \$60 million last year—he got a pretty good deal. Murdoch paid 20 times estimated operating income (earnings before interest, taxes, corporate overhead, depreciation and amortization) for WPWR, compared with the 32 multiple Viacom paid for KCAL in the larger Los Angeles market just one month earlier.

Eychaner's has been an unlikely path to wealth. Growing up in the Chicago suburb of DeKalb, he dreamed of being a news-

frequency to start a subscriber service, Sportsvision, to broadcast local games. With their endorsement, Eychaner and Hatco-60 got some \$10 million in loans from vendors and LaSalle Bank to put an antenna atop the Sears Tower. Hatco-60 broadcast during prime time, and Eychaner filled the daytime with wrestling, kids' shows and reruns. Both would defer to the White Sox during baseball season and the Bulls in basketball season.

The deal barely got to first base. Sportsvision had trouble finding subscribers and pulled out after a year. With two other Spanish-language stations in Chicago, the Hatco-60 partners struggled to find advertisers.

Eychaner hadn't staked his future on the deal. He had paid \$1.5 million for a broadcasting permit from a group of Indiana businessmen who were struggling to finance a station. He swapped that license for one with a stronger signal, bought out

Fred Eychaner started out printing left-wing rags. These days he's cutting multimillion-dollar deals with Rupert Murdoch. By David Armstrong

paper reporter. During high school he worked as a sportswriter for the *DeKalb Daily Chronicle* and later tallied sports scores for City News Bureau of Chicago. He helped pay his way through Northwestern University's Medill School of Journalism as an announcer for WLBK, a radio station in DeKalb.

While in school he developed an eye for the business side. Many of the school's publications relied on high-cost printers in the city. From his days in DeKalb, Eychaner knew cheaper outfits existed by the dozens outside of Chicago. He set up a brokerage, contracting for the university's printing jobs and taking them to low-cost printers outside the city. After graduation Eychaner picked up work from Chicago's foreign-language newspapers. He bought his own press from the Chicago publisher of the *Swedish American Tribune*. (Newsweb Corp. still prints the low-circulation paper for a mere \$300 a week.) He also printed many of the alternative newspapers that were popping up all over Chicago. Visitors to his shop found a guy with waist-length hair pulled back into a ponytail, plying the presses himself. When one early client, the *Reader*, couldn't meet a \$16,000 bill, Eychaner continued printing it on credit.

Many foreign-language publishers buying his printing services were also buying time on radio to air programs in their native tongues. Eychaner recognized a burgeoning market and in 1977 bought WEEF, a one-kilowatt AM station in suburban Highland Park, for \$250,000. Now Eychaner's time-brokered radio stations blast a Russian-language program, *Echo of the Planet*, during the morning drive, and *Miles Ahead*, offering jazz, in the evenings. Another broadcasts only sports news and talk.

By the late 1970s Eychaner was eyeing television. UHF bands had opened up, creating a gold rush for media entrepreneurs. In 1978 he applied for a Chicago-area license for Channel 60 and won it two years later by splitting the broadcast time with another bidder, Spanish-language broadcasters Hatco-60. They had the backing of Chicago's sports team—including White Sox owners Jerry Reinsdorf and Eddie Stern. They wanted the

the financially strapped Hatco-60 partners for \$11 million, sold his original license to the newly created Home Shopping Network for \$25 million and consolidated his holdings from Channel 60 into Channel 50.

Then Eychaner started building. He assembled an oddball menu of cult-TV fare like *The Prisoner*, *Combat* and *Secret Agent*, along with music video shows and old movies. The fare was cheap and attracted a small but devoted audience. From 1987 to 1990 he nearly doubled his ratings, capturing 6% of the market, often at the expense of ad revenues. Eychaner footed the station's bills, in part, through shrewd investments in other media companies. Examples: His shares of Evening News Association, acquired for \$400 each, tripled after the heirs to James Edmund Scripps sold the *Detroit News* to Gannett for \$717 million in 1985; his 6% stake in the *Des Moines Register*, acquired for \$875,000 in the early 1980s, netted him \$10 million when Gannett acquired the paper.

As his audience grew, Eychaner took a chance on more expensive, first-run shows. He bought *Star Trek: The Next Generation* in 1987 and *Roseanne* in 1991 after the Tribune Co.'s WGN (Channel 9) passed on syndications of the show, deeming it too racy. "The old reruns let us buy the not-so-old reruns, and you just work your way up the food chain," Eychaner says.

In 1995, when Herbert Siegel's upstart United Paramount Network began looking for affiliates, Eychaner's station was a natural fit. The affiliation gave WPWR access to national programming and higher-caliber advertisers. UPN formed a similar deal with KTVD, a listless Denver station Eychaner had bought out of bankruptcy for \$12 million.

What's next? Eychaner will give away some of that Murdoch moolah to nonprofits like the AIDS Foundation of Chicago and Northwestern's Medill Innocence Project, for which student journalists work to overturn dubious convictions of death-row inmates. The Joffrey may get new digs, too, but you won't find Eychaner's name anywhere on the building. **F**

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JAEGER-LECOULTRE

The Forbes 400

Yes, the rich are different

from the rest of us—they have more to lose. The nation's 400 wealthiest people misplaced \$80 billion in net worth over the past year, a contributing factor in the exit of 35 people from the list. By and large The Forbes 400 lost their money the same way that most Americans did, from the deflation of the stock market. AOL Time Warner's misfortunes dragged down Ted Turner, who remains on the list, but 65% less flush than he was a year ago. Professional homemaker Martha Stewart lost \$360 million after her ill-fated decision to unload certain biotech holdings. In terms of sheer dollars, nobody lost more than the richest man in the world, Bill Gates. He shed \$11 billion, an amount equal to Michael Dell's entire net worth. Two years ago billion-dollar fortunes like Gates' accounted for 74% of our roster. This year the ten-digit club occupies just over half the spots. Among them is Warren Buffett, one of the 111 rich listers who somehow made money in the last year. But for all the turmoil, one thing hasn't changed: The creation of wealth marches on. This year's new members include David Gold (\$650 million), who paid his admission in pennies collected by his chain of 99 Cent Stores; brothers Paul and David Merage (\$550 million each), who made the cut peddling frozen sandwiches; and Timothy Boyle (\$600 million), who climbed on with the success of Columbia Sportswear. Only 64 members of the original Forbes 400 list from 1982 are still here 20 years later; expect our roll call of American success stories to be just as fresh-blooded in another two decades.

Edited by Doug Donovan and Leigh Gallagher

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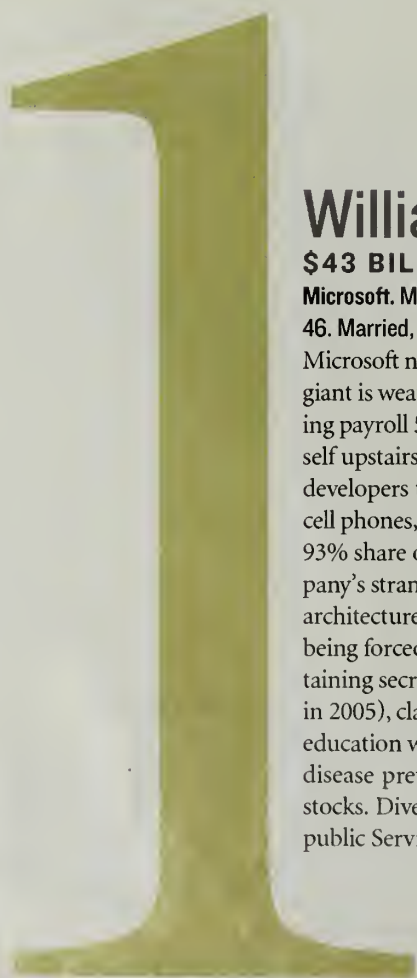
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Circulation Management: Cleveland Johnson and Mitchel Rand

Top Ten

Three men from

Microsoft, two oracles, five heirs of Sam Walton. Together this elite group is worth \$221 billion, accounting for one-fourth of the wealth of the entire Forbes 400.



William H. Gates III

\$43 BILLION

Microsoft. Medina, Wash.

46. Married, 2 children

Microsoft no longer the torrid growth machine it once was, but Seattle software giant is weathering tech storm better than most: last year's sales up 12%, boosting payroll 5,000, R&D 20% this year. World's richest man, having kicked himself upstairs to more cerebral job of chief software architect, busy working with developers to push Microsoft beyond the desktop into devices like tablet PCs, cell phones, TVs. Flagship Windows operating system still maintains dominant 93% share of the worldwide desktop market, but foes lining up to break company's stranglehold: more than two dozen countries pursuing competing open architecture programs. Held his cool this April in antitrust testimony despite being forced to publish 272 pieces of tricky code for outside developers. Maintaining secrecy on next version of Windows (dubbed Longhorn, set for release in 2005), claims it's not just an upgrade. Meanwhile tackling global health and education with \$24 billion Bill & Melinda Gates Foundation. Funds flowing to disease prevention (polio, AIDS), vaccine development; lately buying drug stocks. Diversifies own wealth via Cascade Investments: Corbis, stakes in Republic Services, Canadian National Railway, Gabelli Asset Management.



2

Warren Buffett

\$36 BILLION**Berkshire Hathaway, Omaha.****72. Married, 3 children**

"I violated the Noah rule. Predicting rain doesn't count; building arks does." Thus spake the sage of Omaha after Berkshire Hathaway posted a \$3.8 billion loss last year, much from reinsurance losses in World Trade Center attacks. Blames himself for not pricing insurance policies for terrorism. Supports pending bill that would provide reinsurers federal assistance in future terror attacks, perhaps one reason the oracle warned that a nuclear incident in the U.S. is an inevitability. No matter. Berkshire shares up nearly 10% this year: once-troubled General Re now posting gains peddling terrorism coverage. Value investor dipping into telecom: Bought \$100 million in high-yield paper from Level 3. Also picking through scraps of fallen energy giants: \$900 million plus debt to Dynegy for gas pipelines, helped pump \$2 billion into troubled Williams Co., said to be looking for bargains among Enron's assets. Heart of portfolio leans toward blue chips: Gillette, Coca-Cola. Says he's "disgusted" by corporate bosses who tout their companies while selling shares: "These business leaders view shareholders as patsies, not partners." Buffett has never sold a share of Berkshire Hathaway.



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3

Paul G. Allen

\$21 BILLION

Investments. Mercer Island, Wash.

49. Single

Microsoft cofounder clings to "wired world" vision in which PCs, TVs and handheld devices are united: spent billions amassing nation's fourth-largest cable company. But with \$17.5 billion in debt and investigations into its accounting, Charter Communications shares fell 80% this year. Allen buying more of them near \$3 while dropping hints about taking Charter private. Luckily, didn't completely turn his back on Microsoft: still thought to hold 213 million shares. Claims to have liquidated 75% of the diverse equity holdings in private investment firm Vulcan Ventures, reinvesting much in Treasury paper. Sports enthusiast owns football's Seattle Seahawks, basketball's Portland Trailblazers.

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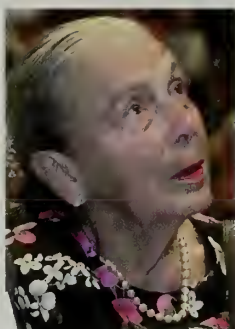
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4



Helen R. Walton

\$18.8 BILLION

Wal-Mart, Bentonville, Ark.

83. Widowed, 4 children

5



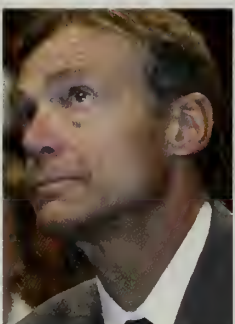
S. Robson Walton

\$18.8 BILLION

Wal-Mart, Bentonville, Ark.

58. Divorced, remarried; 5 children

6



John T. Walton

\$18.8 BILLION

Wal-Mart, Durango, Colo.

56. Married, 1 child

7



Jim C. Walton

\$18.8 BILLION

Wal-Mart, Bentonville, Ark.

54. Married, 4 children

8



Alice L. Walton

\$18.8 BILLION

Wal-Mart, Fort Worth area, Tex.

53. Twice divorced

Widow and children of Wal-Mart founder Sam Walton (d. 1992), founder of world's largest retailer. Started with general store in Arkansas in 1962. Now 4,300 stores worldwide sell snacks, sundries, appliances to 100 million customers a week. Stock up 655,000% since 1970 IPO. Family no longer in day-to-day control but still owns 38%. Rob: chairman, only family member with executive title; vintage-auto enthusiast. Vietnam vet John: backer of education causes, school choice, founded Children's Scholarship Fund with Ted Forstmann (*see*). Jim: oversees family's banking activities; head of Arvest, Arkansas' largest bank. Alice: horse enthusiast, lives on Texas ranch. Family foundation recently donated \$300 million to University of Arkansas, largest-ever gift to U.S. public university.

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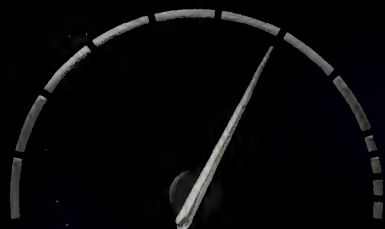
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9

Lawrence J. Ellison

\$15.2 BILLION

Oracle. Atherton, Calif.

58. Thrice divorced, 2 children

Brash founder of database maker Oracle focusing on government as dot-com clients evaporate. Salespeople may have tried too hard to please their demanding boss: \$95 million deal with California nixed after audit found that Oracle sold state more software than it needed. Now promoting national security database (donated by Oracle) as answer to terrorism. With Oracle sales down 12% this past year Ellison's fortune is suffering, too: down from \$23 billion last year, \$58 billion in 2000. That still leaves enough to float an America's Cup entry in February (*see story, p. 296*). Took Oracle public one day before Microsoft in 1986; remains second-largest software maker behind Gates' shop. Rivalry with Bill goes on: now making Oracle machines compatible with Windows alternative Linux, calling for open-source competitor to ubiquitous MS Office suite.



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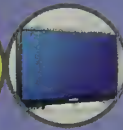
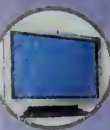
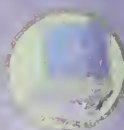
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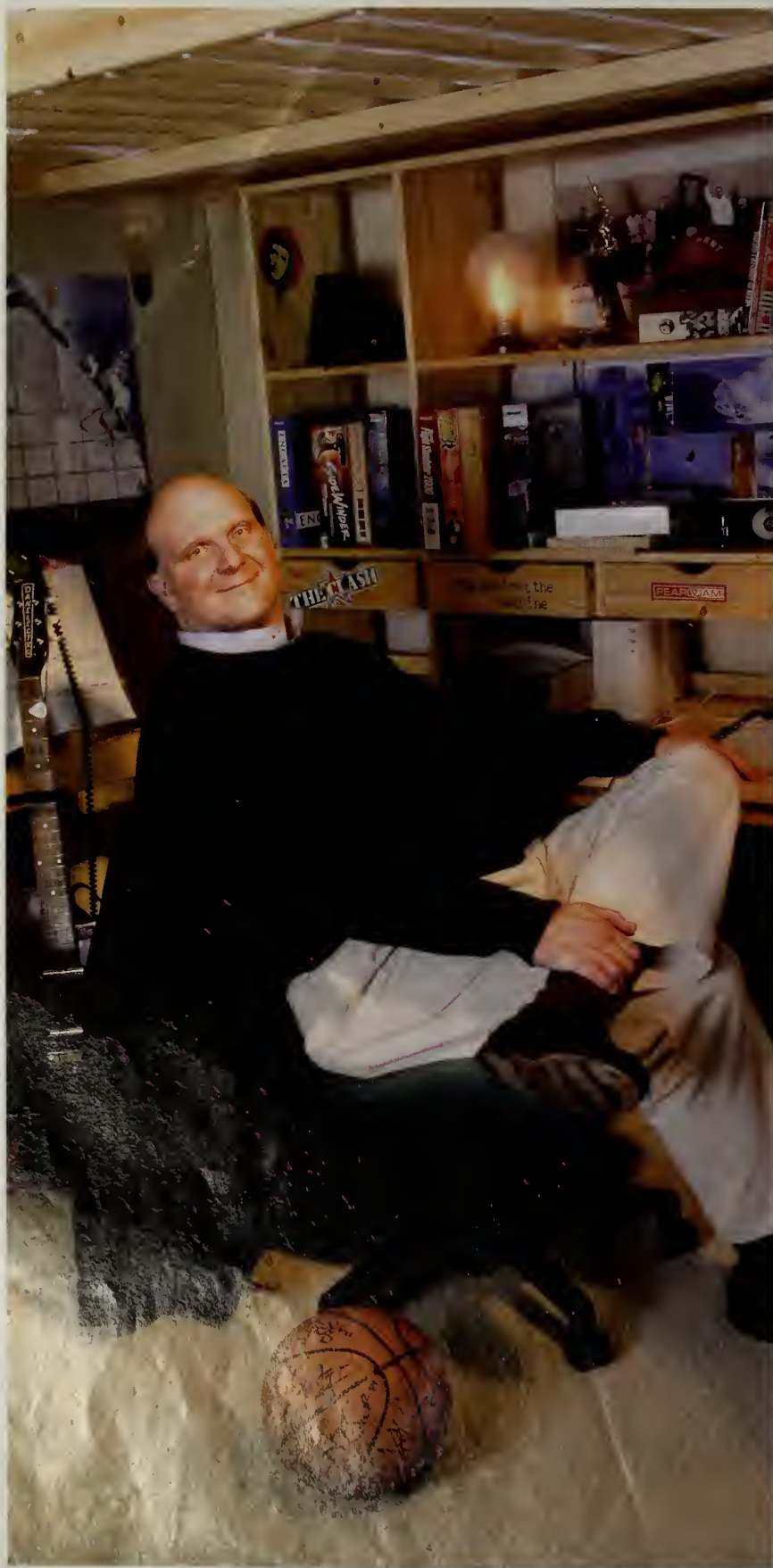
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Microsoft. Redmond, Wash.

46. Married, 2 children

Ebullient chief executive of Microsoft has been shedding pounds—more than 50 this year—while increasing workload. Protégé Richard Belluzzo stepped down after 14 months as Microsoft president, left Ballmer with nearly double the number of execs under his command. Found other ways to delegate: Microsoft's 7 main divisions (MSN, Business Solutions, Server and Tools, etc.) now handle own budgets. In June announced kinder, gentler company mission: "To enable people and businesses throughout the world to realize their full potential." One business grappling with Microsoft's potential: AOL. Following expensive promotional campaign, Web portal MSN.com claims it has converted 450,000 AOL customers. Detroit native Ballmer dropped out of Stanford M.B.A. program to join Harvard classmate Bill Gates 1980. Running Microsoft day-to-day since 1998.



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Bubble Boys

The fortunes of many of these pioneers never quite recovered after the tech bubble burst. One exception: Jeff Bezos, whose Amazon stock was up 70% in the last year.

Michael Dell

\$11.2 BILLION

Dell Computer. Austin, Tex.

37. Married, 4 children

Winner of PC wars pursuing new markets in higher-end machines and services, printers and handheld devices. Despite gains, big jump in profits, stock price remains sluggish. Longtime seller tried to give it a boost by buying back 8 million shares in late 2001, predicting imminent surge in consumer spending. Started Dell Computer in dorm room at U. of Texas in 1984; became known for wily direct-selling tactics, keeping costs low to win price wars against Gateway, Compaq.

Pierre Omidyar

\$4.4 BILLION

Ebay. Henderson, Nev.; Paris, France.

35. Married

Image of Ebay founder mildly tarnished after revelation involving famed Pez anecdote: turns out the French émigré didn't create the online auctioneer so his girlfriend could trade the candy dispensers. At least the white lie hasn't hurt his company, one of the few

Internet success stories. All but 1% of his wealth pledged to philanthropy.

Gordon Earle Moore

\$3.3 BILLION

Intel. Woodside, Calif.

73. Married, 2 children

Left Fairchild Semiconductor 1968 with Robert Noyce and \$2.5 million in backing from venture capitalist Arthur Rock to cofound Integrated Electronics—Intel, for short. Now world's largest maker of microprocessors, albeit not quite as large as in recent years: 2001 sales down \$7 billion. Chairman emeritus holds hefty stake in firm, even after last year's massive donation: half of his fortune to Gordon and Betty Moore Foundation, philanthropic venture that supports higher education, environmental causes, scientific research.

James Goodnight

\$3.1 BILLION

SAS Institute. Cary, N.C.

59. Married, 3 children

John Sall

\$1.5 BILLION

SAS Institute. Cary, N.C.

54. Married, 4 children

Owners of the world's largest privately held software company, SAS Institute, ended long flirtation with public offering in wake of recent tech slump. SAS now mining new talent from unemployed techies looking for safer job environment. Despite their best efforts to keep it aloft, side project Midway Airlines grounded for now: carrier bankrupt even after \$52 million injection by Goodnight and Sall. Partners met at North Carolina State, started SAS 26 years ago after developing statistical analysis program. Sales now top \$1 billion.

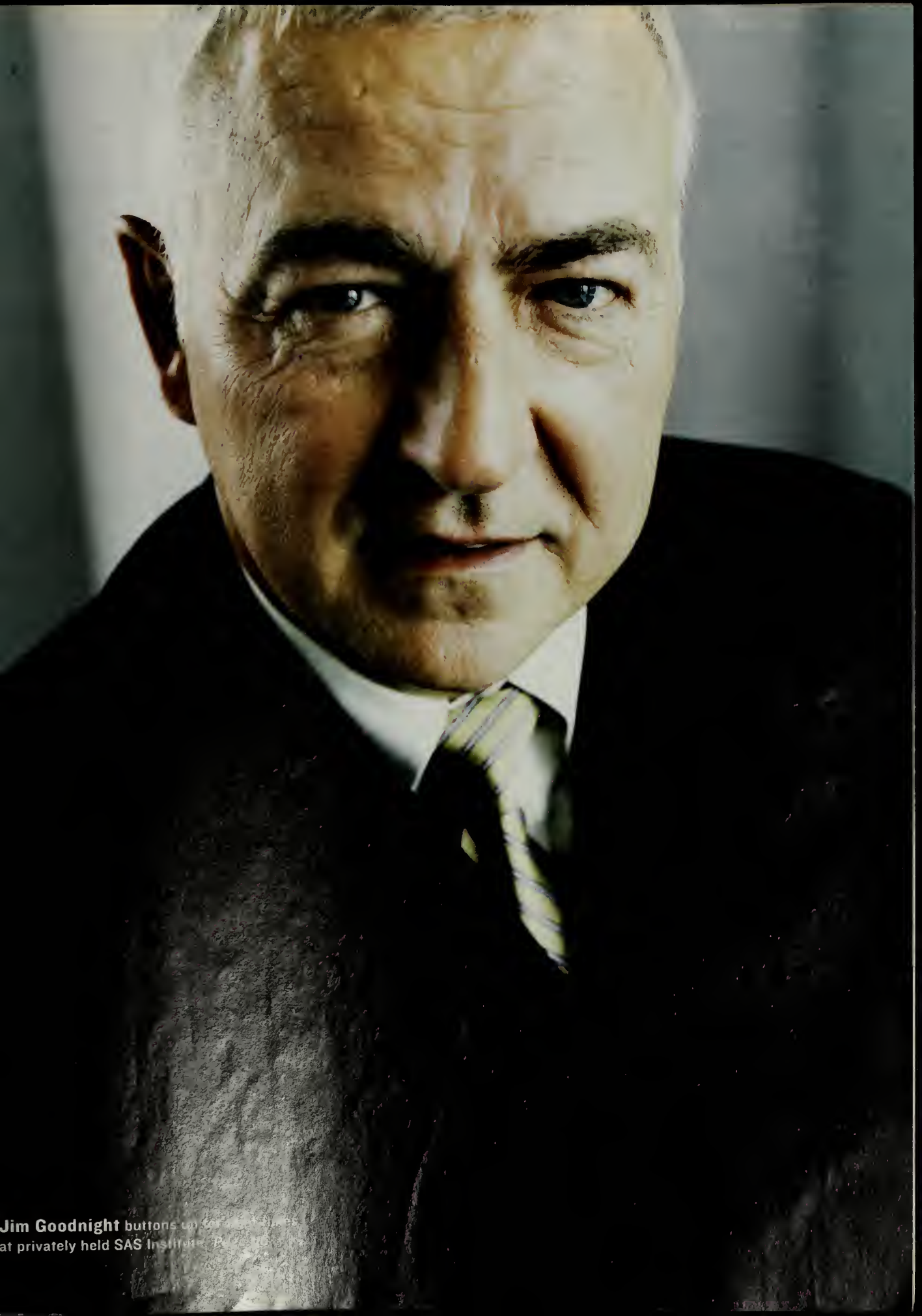
Jeffrey Bezos

\$1.8 BILLION

Amazon.com. Seattle.

38. Married, 2 children

Internet retailer regaining momentum after two years of analyst naysaying, investor exodus, sinking stock price. Cheerleading chief says expansion, cost-cutting efforts will push Amazon to prof-



Jim Goodnight buttons up the business
at privately held SAS Institute. P. 100

Out of Oracle's shadow, **Tom Siebel** is turning to Uncle Sam to help sales. *Page 120*



itability. Princeton grad documents daily life via photography.

Steven Jobs

\$1.6 BILLION

Computers. Palo Alto, Calif.

47. Married, 4 children

Apple Computer has just 5% market share, but owns near-monopoly on buzz for cool gear like MP3 player iPod, table-lamp-like iMac computer. Eternal optimist plans to jump-start sluggish growth by making Apple center of "digital lifestyle." Founded Apple 1976 with Steve Wozniak. Fought Next Computer after ouster from Apple 1985; returned when Apple bought Next 1996 for \$400 million. Catalyst for next generation OS. Name synonymous with Apple, but bulk of wealth hitched to animated film studio Pixar (*Monsters, Inc.*, *Toy Story*).

Good thing: for the year Apple shares down 32%; Pixar up 34%.

Henry Nicholas III

\$1.3 BILLION

Broadcom. Laguna Hills, Calif.

43. Married, 3 children

Henry Samueli

\$1.3 BILLION

Broadcom. Newport Beach, Calif.

48. Married, 3 children

Partners founded Broadcom in 1991, maker of high-speed chips for communications devices, cable modems. Weakening demand for chips knocked shares down 59% since January high. Big backers of Orange County Performing Arts Center despite lawsuit filed against Broadcom by four of the Center's board members.

David Duffield

\$1.3 BILLION

PeopleSoft. Lake Tahoe, Nev.

61. Divorced, remarried; 9 children

Charismatic Cornell graduate cofounded enterprise-management software developer PeopleSoft 1987 with \$2 million. Profits grew quickly, took public 1992. Sales: \$2 billion. Relinquished chief executive title in 1999; now focuses on animal welfare.

Theodore Waitt

\$1.3 BILLION

Gateway. San Diego.

39. Married, 4 children

Cofounder of PC seller Gateway better known for laid-back attitude and company's folksy black-and-white cowhide packaging, now forced to take more combative stance thanks to ongoing price war with Dell. Shuttered international sales division last summer; debuted iMac competitor. Despite the moves, a \$200 million to \$250 million loss expected for 2002. Nevertheless, ponytailed college dropout remains optimistic about future: "Our hard work is paying off."

Mark Cuban

\$1.3 BILLION

Broadcast.com. Dallas.

43. Single

Todd Wagner

\$750 MILLION

Broadcast.com. Dallas.

42. Single

Dot-com duo sold Internet broadcasting outfit Broadcast.com to Yahoo for \$5.7 billion in stock. Shrewdly placed put and call "collars" to lock up fortune before Internet bust. Volatile Cuban used part of windfall to buy pro basketball's Dallas Mavericks; fined record \$1.5 million over two seasons, mostly for verbally abusing game officials. Maybe marriage will impart soothing influence: high-profile bachelor now engaged to longtime girlfriend. With Wagner, going Hollywood: financed documentary *Searching for Debra Winger*; bought Rysner TV and film library (*Sex and the*



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City, Nash Bridges). Onetime attorney Wagner also leading afterschool educational initiative with Inner City Games.

John Morgridge

\$1.2 BILLION

Cisco Systems, San Jose, Calif.

69. Married, 2 children

Bear market clawing at world's largest networking manufacturer. Questions about accounting, acquisitions don't help. Former Honeywell exec became Cisco chief in 1988, took public in 1990, stepped aside for John Chambers in 1995. Remains chairman.

Thomas M. Siebel

\$1.2 BILLION

Siebel Systems, San Mateo, Calif.

49. Married, 4 children

Gained fame and fortune in 1980s as top salesman for Oracle. Developed internal sales automation software; left 1990 after Oracle Chief Larry Ellison (*see*) scrapped his plans to bring it to market. Launched Siebel Systems 1993; IPO 1996. Sales doubled 5 of 6 years, but hit wall in 2001: software licensing revenues off 33% in the first

Pierre Omidyar's Pez fib no longer sells, but his Ebay still does. *Page 116*



6 months of last year, shares down 77% from their year high in January. Politically active, hopes to juice sales in public sector. New \$2.1 million PAC, largest in tech industry, should help.

Richard J. Egan

\$1.2 BILLION

EMC Corp. Hopkinton, Mass.; Dublin

66. Married, 5 children

Stepped down as chairman of EMC in January 2001 and left the board in September to become U.S. ambassador to Ireland. Back home in Massachusetts, the data storage giant fought a shareholder action to add independent directors to board. Egan lost. Company lost money last year for the first time since 1989. Shares down 93% from alltime high, shaving some \$300 million off his net worth in the past year. Blue-collar Boston native served as a Marine helicopter chief during Korean War; founded EMC in 1979.

Charles Simonyi

\$1 BILLION

Microsoft, Medina, Wash.

54. Single

One of Microsoft's original programmers, chief architect and developer of Word, Excel applications. Budapest native, came to the U.S. at age 18, earned bachelor's from Berkeley, computer science Ph.D. from Stanford. Worked at Xerox's famed PARC lab; lured to Microsoft in 1981 by "Bill's personality and vision." Firm believer in Microsoft, still holds on to sizable stake.

Scott Cook

\$1 BILLION

Intuit, Woodside, Calif.

50. Married, 3 children

After wife complained of writing checks for bills, developed Quicken personal finance software with Stanford programmer Tom Proulx 1983. Took public 10 years later. Intuit software now used by 25 million people. Could have been more: feds nixed Microsoft's \$1.5 billion bid for the company in 1994.

By the Numbers

150 members of The Forbes 400 inherited at least some of their wealth.



William Morean

\$930 MILLION

Jabil Circuit, St. Petersburg, Fla.

47. Divorced, remarried; 3 children

After piloting small planes in Alaska, bought 51% stake in father's computer-equipment manufacturer Jabil Circuit in 1977. Became major outsourcer of automotive electronics, computer peripherals. Predicted sales for 2002: \$3.5 billion. But lately softening as big customers (Cisco, Dell) scale back.

Margaret Whitman

\$780 MILLION

Ebay, Palo Alto, Calif.

46. Married, 2 children

Harvard M.B.A. well-schooled in upper management (Procter & Gamble, Keds, Hasbro) before signing on as chief of fledgling online auctioneer Ebay in 1998. "Meg" steered company away from debt, made Ebay highly profitable. Latest challenge: recruiting large commercial vendors without alienating Ebay's core small-business community. Free time spent fly-fishing.

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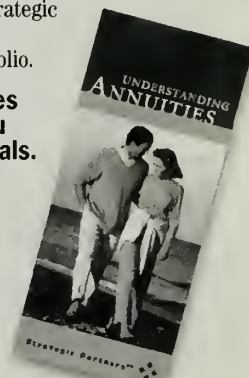
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Henry Nicholas
has taken a
prominent seat in the
arts world. *Page 118*

James Kim & family

\$750 MILLION

Microchips. Gladwyne, Pa.

66. Married, 3 children

Son of Korean microchip entrepreneur started U.S. marketing arm in 1968 for father's semiconductor company, Anam. Grew sales to \$2 billion. Bailed out dad's company during Asian financial crisis. Now battling weak chip market in the U.S.: losses, layoffs piling up. Also owns large stake in Electronics Boutique, retailer started as a mall stand in King of Prussia, Pa. by wife Agnes.

John J. Moores

\$740 MILLION

Software. San Diego.

58. Married, 2 children

Trying to save sinking ship Peregrine Sys-

tems from vortex of shareholder lawsuits, federal securities investigation, financial chicanery. San Diego-based software firm restated \$100 million in revenues, well after Moores sold \$650 million Peregrine stock. Started BMC Software in 1980 with \$1,000. Sold out 12 years later for nearly \$400 million. Owner of pro baseball's San Diego Padres.

James Clark

\$670 MILLION

Netscape. Palm Beach, Fla.

58. Married, 2 children

Visionary entrepreneur founded three billion-dollar companies: Silicon Graphics, Netscape (now part of AOL) and Healthcon (now WebMD). No longer active at any of them, few shares held. Native Texan joined Navy, later earned Ph.D. from U. Utah. Promised \$150 million to Stanford for bioengineering center, later withdrew \$60 million to protest

Bush Administration position on stem-cell research.

Aubrey Chernick

\$650 MILLION

Candle Corp. Los Angeles.

53. Married, 3 children

LA-born grocer's son stumbled into computer programming working as a civil servant in Canada. Started own company in 1976 after fortune cookie predicted dreams would come true. Today privately held Candle Corp. a leader in mainframe computer management. Annual sales: \$320 million. Personally wrote code for troubleshooting programs used by IBM.

Louis Gerstner Jr.

\$630 MILLION

IBM. Greenwich, Conn.

60. Married, 2 children

IBM chief stepped down as CEO in

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March, on 60th birthday. New management now struggling with sagging earnings. Came to Big Blue from RJR in 1993, turned massive losses into huge profits in part by emphasizing service. Won't be blue in retirement, thanks to years of generous stock option grants.

Stuart Robert Levine

\$620 MILLION

Cabletron Systems. Stratham, N.H.

44. Divorced, remarried; 1 child

With partner Craig Benson founded Cabletron in 1983; manufacturer of cus-

tom cables for linking PCs. Big business riding the desktop computing wave, but struggled as industry turned to switches; company eventually split up. Levine: invests in New Hampshire startups founded by Cabletron veterans. Co-founder Benson: current New Hampshire gubernatorial candidate (*see Dropouts*).

Jon Shirley

\$600 MILLION

Microsoft. Medina, Wash.

64. Married, 3 children

Former Microsoft president (1983 to 1990) putting final touches on 4-year

construction project: 23,000-square-foot mansion/private museum. Costly ordeal: nearly \$500,000 in building-violation fines, undisclosed settlement with irritated neighbors. Experience will come in handy as head of board of Seattle Art Museum, which may be engaged in a joint expansion project with Washington Mutual: "Banks and art museums don't think alike."

Norman Waitt Jr.

\$600 MILLION

Computers. Dakota Dunes, S.D.

48. Divorced, 1 child

With younger brother Ted (*see*) founded computer maker Gateway in 1985. Left 1991 after brotherly bickering. Used Gateway stock to finance push into entertainment. Lackluster results with movies (excluding summer hit *My Big Fat Greek Wedding*) and music (David Crosby, Pat Benatar), but Waitt Media (5 television stations, 77 radio stations, 700 billboards) more successful. Last year added Waitt Radio Networks, Colorado-based outfit that customizes news, traffic and weather reports for local radio stations.

David Filo

\$570 MILLION

Yahoo. Mountain View, Calif.

36. Single

Jerry Yang

\$570 MILLION

Yahoo. Los Altos, Calif.

33. Married

Cofounders of Internet portal Yahoo escaping the bad p.r. that dogs other tech shops despite a 96% drop in Yahoo stock from its 2000 high. Reason: partners have sold only 5.5% of their original stake. Rare survivor of the 1990s Internet orgy weaning itself from dot-com advertisers, beefing up fee-based services such as Yahoo Personals and fantasy sports. Yang and Filo met at Stanford, put Ph.D.s on hold to pursue Internet search engine project. Took Yahoo public 1996; now it handles more Web traffic than any other online service.



Steve Jobs is rolling up his sleeves to fight sluggish growth at Apple. *Page 118*



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2nd	Grey Goose® Vodka	France
3rd	Belvedere	Poland
4th	Ketel One	Holland
5th	Stolichnaya Gold	Russia
6th	Absolut	Sweden
7th	Absolut Mandrin	Sweden



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Media Darlings

Media stocks may be out of favor on Wall Street, but not on The Forbes 400. As a primary source of wealth, no industry generates as many fortunes as the entertainment business.

John Kluge

\$10.5 BILLION

Metromedia. Charlottesville, Va.

88. Thrice divorced, remarried; 3 children

German émigré having tougher time re-creating earlier success. Amassed \$8 billion fortune buying, selling cellular and broadcasting properties to Rupert Murdoch and WorldCom. Latest venture, Metromedia Fiber, less lucrative: company filed for bankruptcy earlier this year. Stepped down as chairman of Metromedia International (telecom, cable) after flak from shareholders.

Barbara Cox

Anthony

\$9.5 BILLION

Media. Honolulu.

79. Married, 2 children

Anne Cox Chambers

\$9.5 BILLION

Media. Atlanta.

82. Twice divorced, 3 children

Sisters who inherited newspaper fortune started by James M. Cox (d. 1957) own

98% of \$8.7 billion (sales) media empire: 17 daily newspapers (flagship: *Atlanta Journal-Constitution*), 30 nondaily papers, 15 TV stations, 81 radio stations. Also used cars via Manheim Auto Auctions, more than \$54 billion worth sold last year. Anne, a Democratic fundraiser, avid gardener and ambassador to Belgium under Carter. Barbara's son James Kennedy runs day-to-day operations.

Sumner Redstone

\$9 BILLION

Viacom. Newton Centre, Mass.

79. Divorced, 2 children

"Who's the boss?" is question of the year at Viacom after publicized bickering between the Viacom chief and President Mel Karmazin. Apparently patched up, but still unknown whether Karmazin will land new contract next year. Daughter Shari an unlikely replacement, but taking more active role in company affairs. Father started drive-in movie business 1954. Media empire now includes CBS, Paramount, MTV, Infinity Broadcasting. Newly engaged, controls two-thirds of Viacom voting stock.

Samuel I.

Newhouse Jr.

\$7.7 BILLION

Media. New York City.

74. Divorced, remarried; 3 children

Donald Newhouse

\$7.7 BILLION

Media. Somerset County, N.J.

72. Married, 3 children

Slowdown in ad spending putting a damper on Newhouse media empire, but brothers still eager to take back management of its 2.3 million cable subscribers from partnership with AOL Time Warner. Inherited company from father Sam Sr. (d. 1979). Donald runs newspaper division (*Newark Star-Ledger*, *Cleveland Plain Dealer*); Si oversees Condé Nast, publisher of glamour glossies *Vogue*, *Vanity Fair*, the *New Yorker*. This year shuttered 66-year-old *Mademoiselle*, bought *Modern Bride*. Owns 41 city business journals, *Golf Digest* and fashion industry bible *Women's Wear Daily*.



David Saperstein
fetched a fortune
selling his traffic
reports company
to Westwood One.
Page 142

Keith Rupert Murdoch

\$5 BILLION

News Corp. Los Angeles, New York City.

71. Twice divorced, remarried; 5 children

Started out with one newspaper in Adelaide, Australia. Now entrenched in television (35 stations, Fox Network), movies (20th Century Fox), newspapers (*New York Post*, U.K.'s *Sun*), satellites (Star TV), book publishing (HarperCollins). Also cable: Fox News Channel (including business show *Forbes on Fox*). Known for taking big gambles, now grappling to gain control of troubled Gemstar-TV Guide and negotiating for Vivendi's Italian pay TV unit.

ter took over father's debt-ridden Triangle Publications at 32, expanded with *Seventeen* magazine and *TV Guide*. Sold the bulk of company to Rupert Murdoch in 1998 for \$3 billion. Ambassador to the Court of St. James's under Nixon. Huge arts benefactor.

David Geffen

\$3.8 BILLION

Entertainment. Malibu, Calif.

59. Single

Cofounder of Hollywood studio DreamWorks SKG (see Spielberg, Katzenberg), still mixing it up. With city of Malibu, suing the California Coastal Commission over public access to Malibu beaches. Sin-

gled out by Michael Ovitz for bringing about the erstwhile agent's professional demise. More fun battling at box office with Oscar winners *A Beautiful Mind*, *Gladiator*, *American Beauty*. Much of estimated \$2 billion nest egg invested with money manager Eddie Lampert (see). Big art collector, recently donated \$200 million to UCLA.

George Lucas

\$3 BILLION

Movies. Marin County, Calif.

58. Divorced, 3 children

Box office performance nearly an ancillary market for the *Star Wars* producer: video sales of the last *Star Wars* movies

Michael Bloomberg

\$4.8 BILLION

Financial news. New York City.

60. Divorced, 2 children

Bloomberg's core business of selling business information may be up, but his other fiefdom, New York City, not doing as well. Mayor Mike charmed city with subway commute and \$1 salary. Budget shortfalls from Wall Street slump and Sept. 11 aftermath may force bus and subway fare increases that could damage his appeal.

Charles Ergen

\$4.4 BILLION

Satellite TV. Denver.

49. Married, 5 children

Founder of satellite-TV provider EchoStar in pending deal to buy Hughes Electronic's DirecTV, but antitrust concerns may scrap deal. Ten state attorneys general already probing firm over accusations of anticonsumer business practices. Former Frito-Lay financial analyst launched satellite network 1980 to broadcast TV to rural areas. Today 7.5 million subscribers.

Walter Annenberg

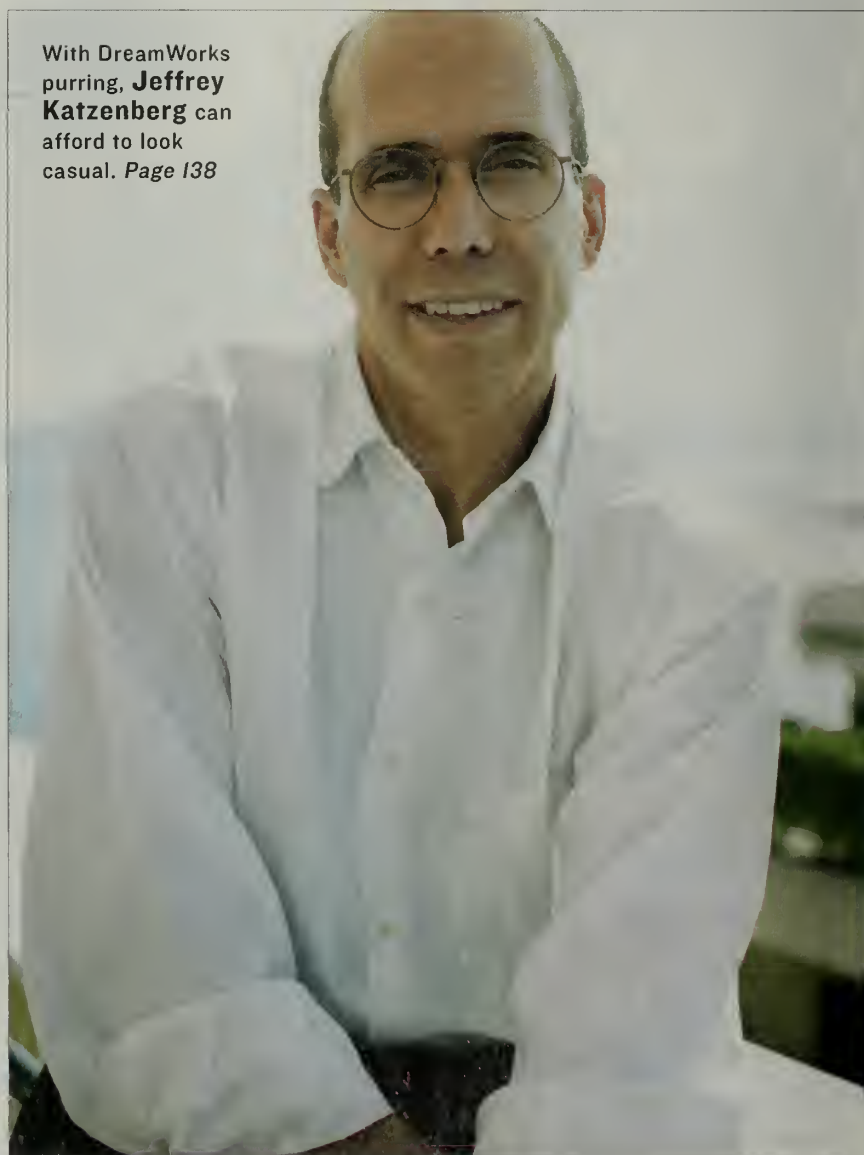
\$4 BILLION

Publishing. Wynnewood, Pa.

94. Divorced, remarried; 1 child

Father Moses (d. 1942) published *Philadelphia Inquirer*, *Daily Racing Form*. Wal-

With DreamWorks purring, **Jeffrey Katzenberg** can afford to look casual. *Page 138*



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New York City Mayor **Mike Bloomberg** grins and bears public scrutiny he never faced at his private company. *Page 128*

will likely earn the filmmaker more than an estimated \$200 million. His Industrial Light & Magic now wrapping up the series' final episode.

A. Jerrold Perenchio

\$2.3 BILLION

Television. Bel Air, Calif.

71. Married; 3 children

Talent agent in the 1960s; represented Marlon Brando, Liz Taylor. Formed production house Embassy Communications with producer Norman (*All in the Family*) Lear 1974; sold to Coca-Cola 1985 for \$485 million. With partners bought Spanish-language broadcaster Univision for \$550 million 1992. Took public 1996; stake now worth \$1 billion. Added second Spanish language network, Telefutura, in January.

Pending bid to acquire Spanish-language radio powerhouse Hispanic Broadcasting for \$3.5 billion. Producer at heart, company's developing *telenovelas* for Univision. Big donor to Democrats and Republicans.

Ted Turner

\$2.2 BILLION

Cable television. Atlanta.

63. Thrice divorced, 5 children

AOL Time Warner's largest shareholder also its biggest mouth. Reported outburst at board meeting prompted former AOL chief Jerry Levin to want "the poetry back" in his life, rather than a tormented one running the beleaguered media giant. Commentary outside the boardroom equally incendiary: jeopardized contracts with three Israeli cable operators after likening nation's recent military operations in Palestinian territory to terrorism.

Cable pioneer has good reason to be irritable: AOL stock in gutter thanks to \$54 billion writedown, federal probe, executive exodus. Even though personal fortune down 65% in the past year, still plans to honor \$1 billion pledge to the United Nations.

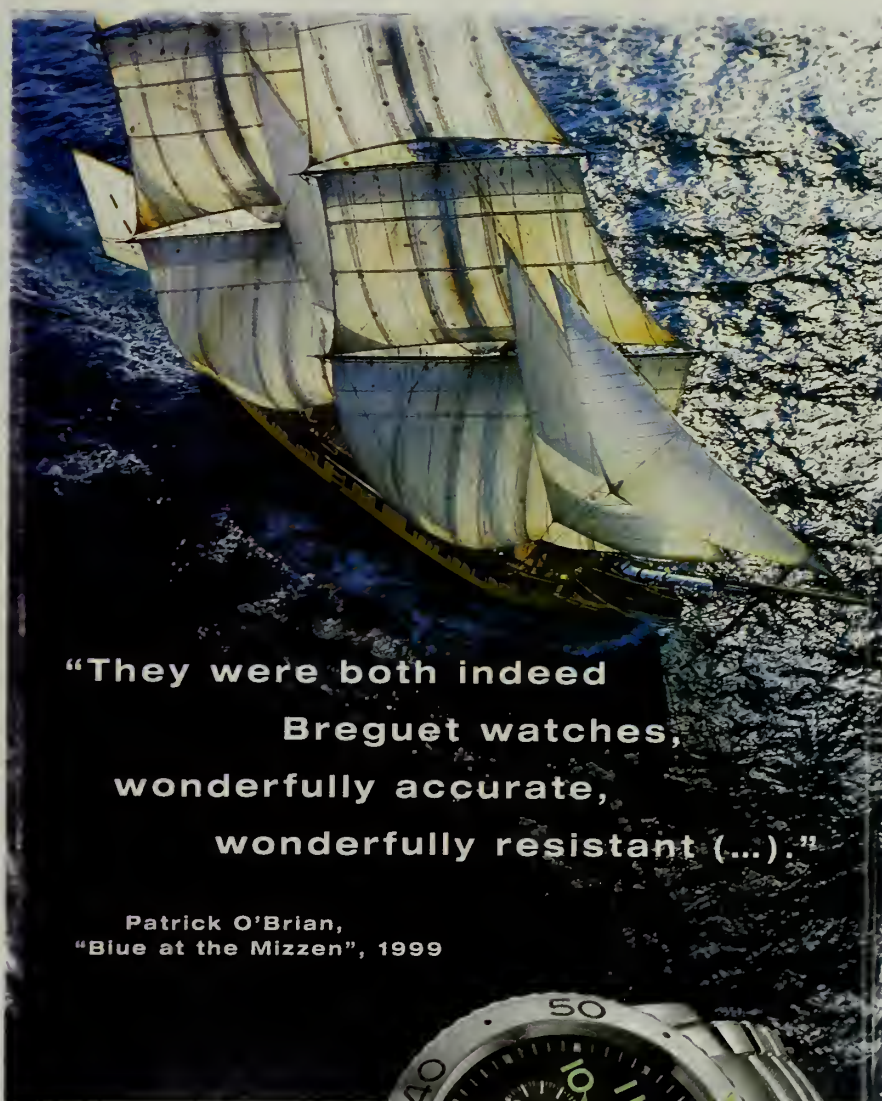
Steven Spielberg

\$2.2 BILLION

Movies. Pacific Palisades, Calif.

55. Divorced, remarried; 7 children

The future wasn't so bright for Hollywood's Midas: Orwellian thriller, *Minority Report*, and robo-kid flick, *A.I.: Artificial Intelligence*, did so-so at the box office. Hopes to do better with next film, *Catch Me If You Can*, starring Tom Hanks and heartthrob Leonardo DiCaprio. Past blockbusters: *Jaws*, *E.T.*, *Raiders of the Lost Ark*, *Jurassic Park*.



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**Patrick O'Brian,
"Blue at the Mizzen", 1999**



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Patrick McGovern

\$2 BILLION

Publishing. Boston.

65. Divorced, remarried; 4 children

Founder of International Data Group getting tossed about in the tech storm. Recent ad slump affecting magazines (*PC World*, *Computerworld*), trade shows (Macworld), online endeavors. IDG employees feeling less pain than most techies, thanks to generous profit sharing, Pat's paternalism: personally delivers greeting cards to all of IDG's 11,000 U.S. employees.

Amos Hostetter Jr.

\$2 BILLION

Cable TV. Boston.

65. Married, 3 children

Cable pioneer prefers to operate behind the scenes, but still active in industry: said to be potential buyer for bruised Adelphia cable outfit. Founded Continental Cablevision in 1963, sold to US West in 1996. Renamed MediaOne, sold to AT&T three years later for \$58 billion. Hostetter returned as board member at AT&T; filled top spots with former Continental employees. But with cable stocks out of favor, personal wealth down 20% in the last year.

Edward Gaylord

\$1.8 BILLION

Country music. Oklahoma City.

83. Widowed, 4 children

Newspaper heir turned small print fortune into billion-dollar country music, publishing and real estate empire.

Haim Saban

\$1.7 BILLION

Television. Los Angeles, Calif.

57. Divorced, remarried; 4 children

Onetime music promoter in Israel moved to Los Angeles, created cartoon hit *Mighty Morphin Power Rangers*. Sold to Rupert Murdoch for share of Fox Family Worldwide; shared biggest cash payout in Hollywood last year, \$1.5 billion, with network's sale to Disney. Big Democratic donor gave record \$7 million earlier this year for new party headquarters. Strong supporter of Is-

By the Numbers

The youngest self-made member of The Forbes 400 is Jerry Yang.



rael; funded Saban Center for Middle East Policy at Brookings Institution.

John Malone

\$1.4 BILLION

Cable television. Parker, Colo.

61. Married, 2 children

Spiraling telecom and communications stocks have Malone on the prowl. Deal to buy Deutsche Telekom collapsed in February under regulatory pressure, but Malone still looking to expand in Europe. Through holding company Liberty Media, already owns large stakes in AOL, News Corp., many other media companies. Built cable giant TCI along with Bob Magness (d. 1996), sold to AT&T in 1999 for \$54 billion.

Robert Johnson

\$1.3 BILLION

Cable television. Washington, D.C.

56. Married, 2 children

Last year became country's first African-American billionaire after Viacom paid \$3 billion for his Black Entertainment Television. Also owns small stake in US Airways; actively looking to buy a pro sports team. Latest venture: hotels.

Frederick (Ted) Field

\$1.2 BILLION

Media. West Hollywood, Calif.

50. Thrice divorced, 6 children

Elusive Marshall Field's department store heir back on the scene in LA with Artist-Direct music label. Hoping to replicate the success of Interscope, which he founded in 1990 and eventually sold a decade later to Universal for \$330 million. Label's first act, Custom, rather raunchy but slowly climbing the charts. Set to executive-produce Tom Cruise's next film, *The Last Samurai*. Plays speed chess for fun, but likely had more fun hosting summer parties in the Hamptons.

Robert Naify

\$1.1 BILLION

Movie theaters. San Francisco.

80. Widowed, 6 children

Son of Lebanese immigrant who started building movie theater chain in 1912. Sons Robert and Marshall (d. 2000) worked as ushers, projectionists, eventually headed company, sold in 1986 to TCI. Also ran postproduction company Todd-AO, sold in 2000 to Liberty Media.

Frank Batten Sr.

\$1 BILLION

Media. Virginia Beach, Va.

75. Married, 3 children

Harvard M.B.A. became publisher of uncle's *Virginian-Pilot* at age 27. Took over, expanded Landmark Communications: newspapers (3 metro dailies), TV stations, cable television (Weather Channel, Travel Channel). Handed reins to son Frank Jr. in 1988.

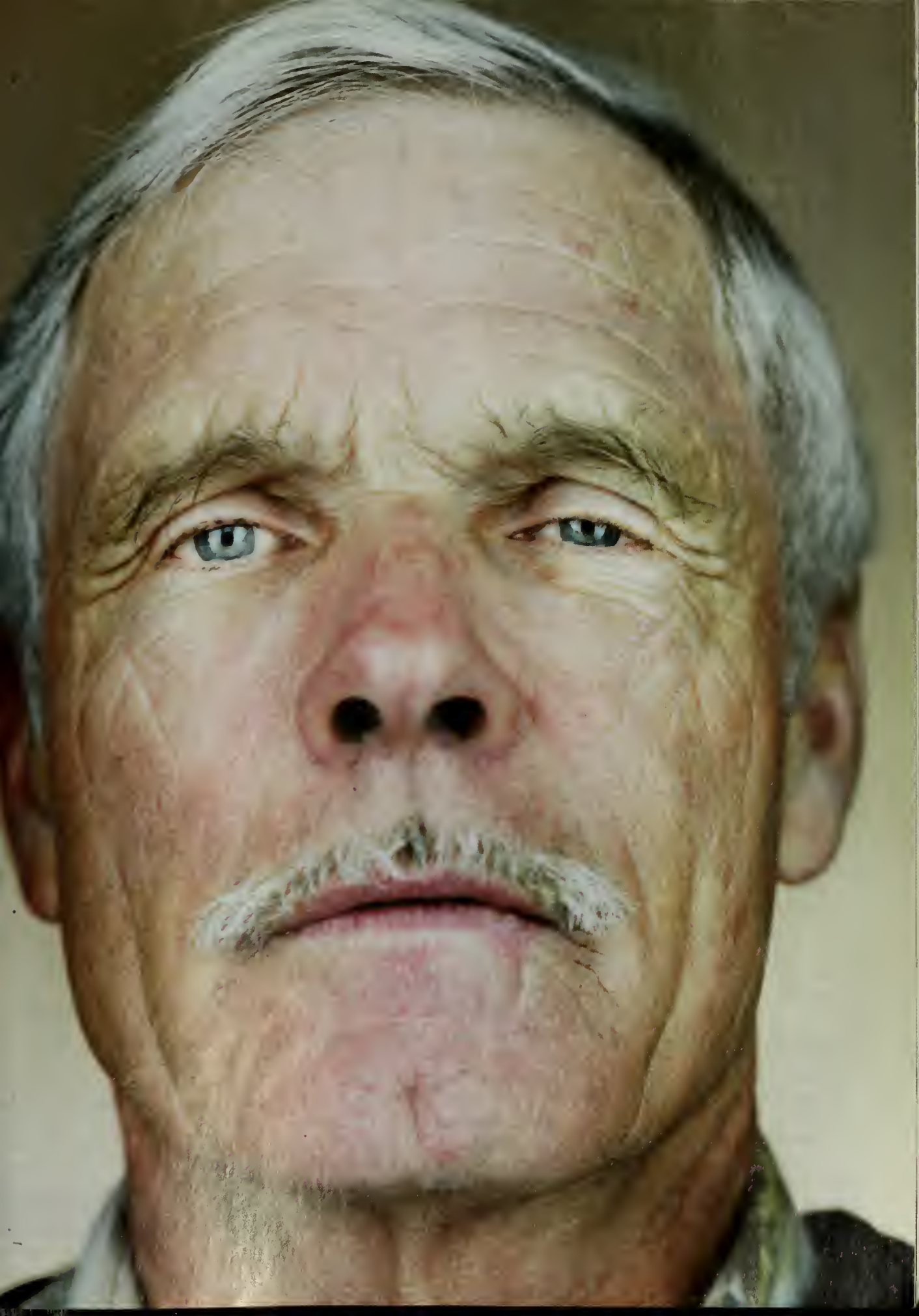
William Randolph Hearst III

\$1 BILLION

Inheritance. San Francisco.

53. Married, 3 children

AOL execs will likely see more of **Ted Turner's** in-your-face approach. Page 130



Austin Hearst

\$900 MILLION

Inheritance. Englewood, N.J.

50. Divorced, remarried; 3 children

George Randolph Hearst Jr.

\$900 MILLION

Inheritance. Los Angeles.

75. Widowed, divorced, remarried; 4 children

Phoebe Hearst Cooke

\$900 MILLION

Inheritance. San Francisco.

75. Divorced, remarried; 1 child

Millicent V. Boudjakdji

\$900 MILLION

Inheritance. Los Angeles.

62. Married, 3 children

David Hearst Jr.

\$900 MILLION

Inheritance. Los Angeles.

57. Single

Six grandchildren of William Randolph Hearst (d. 1951), notorious media magnate who built nation's largest newspaper chain. Today Hearst Corp. operates 12 dailies (including flagship *San Francisco Chronicle*), 16 magazines (*Harper's Bazaar*, *Cosmopolitan*), TV stations via publicly traded Hearst-Argyle (of which Hearst holds 66%). Also partners with Disney (cable channel ESPN), Dow Jones (*Smart Money* magazine), Oprah Winfrey (*O* magazine). George serves as chairman.

Oprah Winfrey

\$975 MILLION

Television. Chicago.

48. Single

A billionaire, if not for the slack of Oxygen, moneylosing cable and Internet venture started with Marcy Carsey (*see*) and cable baroness Geraldine Laybourne. No worry. Oprah's fortune will easily top ten



As chief of Universal, **Barry Diller** won't have to answer to higher-ups. Page 138

digits next year. Future earnings to come from books, magazines (*O*), movies.

Stanley Hubbard

\$975 MILLION

Satellite television. St. Mary's Point, Minn.

69. Married, 5 children

Father Eugene (d. 1992) started his first radio station in 1923; added television 1948. Stanley took over in 1981, moved into satellite TV. Took U.S. Satellite Broadcasting public in 1996; sold to General Motors' DirecTV subsidiary 1999. Combined outfit now set to merge with EchoStar. Owns Hubbard

Broadcasting: 12 TV stations, a radio station, satellite news service Conus Communications.

Dwight Opperman

\$950 MILLION

Publishing. Dellwood, Minn.

79. Widowed, 2 sons

Onetime editorial assistant at legal media firm West Publishing rose to CEO; son Vance took over 1993. Sold to Thomson Corp. 1996 for \$3.4 billion, reinvested via holding companies Key Investments, MSP Communications. Vance political player, publisher of Minnesota magazines.

They both work at the

same company.

Have the

same six-figure salaries.

So why is one looking forward to

**early
retirement,**

while the other looks forward to

the 15th and the 31st?

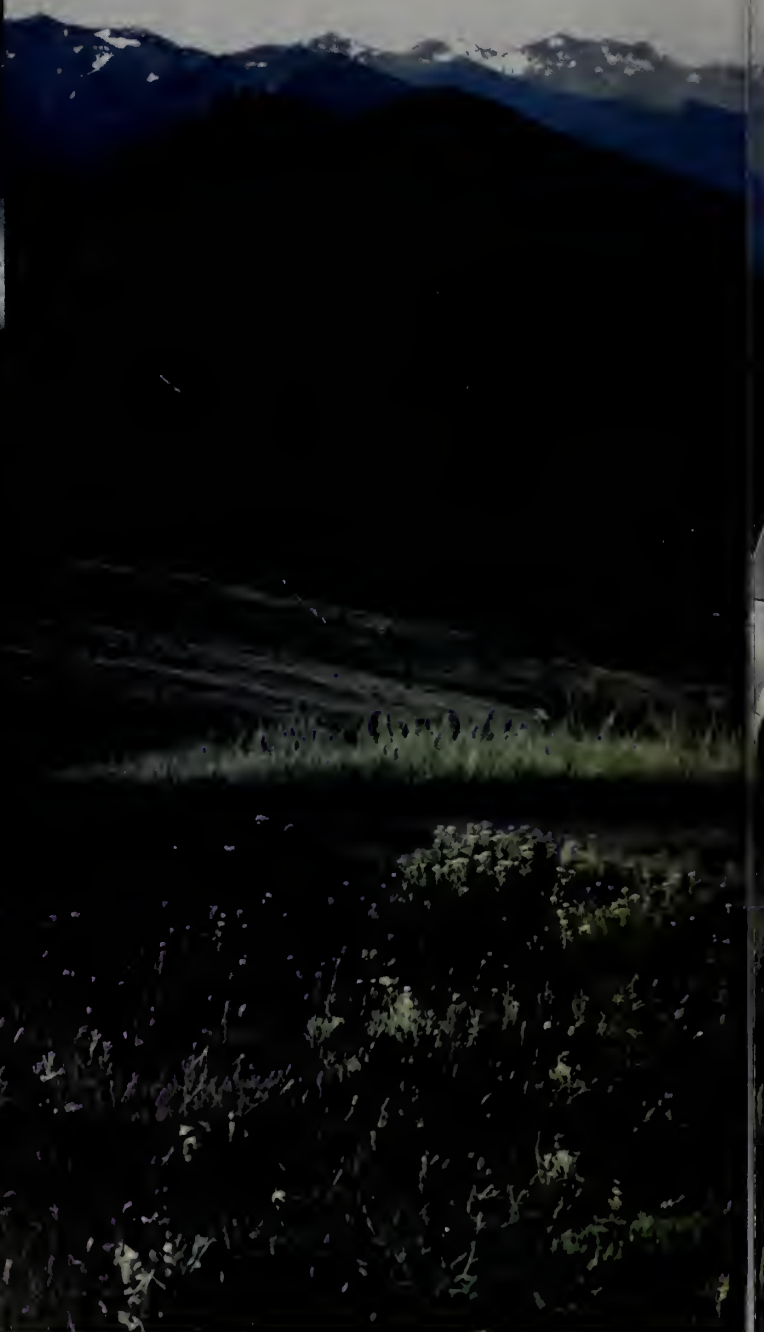


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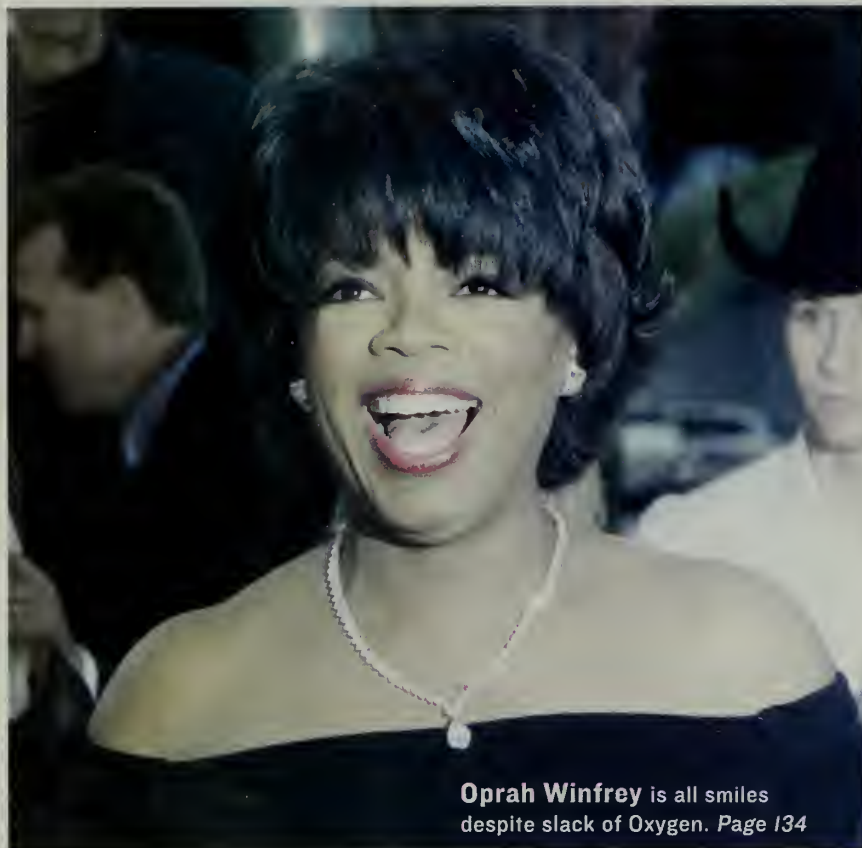
The 240-hp Acura MDX. These days, getting out of cell range is quite an accomplishment. Fortunately, the MDX performs nimbly on and off road, thanks to an advanced electronic 4-wheel-drive system that can provide traction when you need it. And with room for seven

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Oprah Winfrey is all smiles despite slack of Oxygen. Page 134

Lowry Mays

\$950 MILLION

Radio. San Antonio.

67. Married, 4 children

Harvard M.B.A. bought first radio station 1972 with fellow Texan Billy Joe (Red) McCombs. Expanded by turning around distressed radio properties. Took public as Clear Channel Communications 1984. Nation's largest radio group owns more than 1,200 stations, but lately getting more static than ads. Also scuffling with antitrust hounds over company's dominance in radio and concert promotion.

Edmund Ansin

\$950 MILLION

TV stations. Miami Beach.

66. Divorced, 3 children

Son of Massachusetts shoemaker, bought Miami NBC affiliate 1962. Network dropped him 1989. Increased ratings with tabloid makeover. Acquired Boston station 1993. Denies sale rumors but could fetch top dollar in consolidating industry. Also develops, owns Broward County real estate.

H. Fitzgerald Lenfest

\$900 MILLION

Cable TV. Huntington Valley, Pa.

72. Married, 3 children

Columbia law grad intrigued by cable business while managing director of Triangle Publications. Founded Philadelphia-area Suburban Cable 1974. Sold to Comcast for stock in 2000; largely cashed out before cable stocks crashed. Now focused on philanthropy: nearly \$275 million to the arts and education in Philadelphia.

Barry Diller

\$900 MILLION

Media. New York City.

60. Married

Television impresario told FORBES (Sept. 4, 2000) that his USA Networks was destined for greatness: "Events are going to make things happen." Things happening ever since. Last year sold USA to Vivendi for \$10 billion. Took cash, stake in Vivendi Universal Entertainment. Next payday

on the horizon: debt-laden Vivendi considering spinoff of Universal's entertainment assets that would put Diller in charge of Universal's theme parks, movie and television business, world's largest music company.

Alan Gerry

\$875 MILLION

Cable TV. Liberty, N.Y.

73. Divorced, remarried; 3 children

Left high school to join Marines. Studied electronics, built TV antenna tower with \$1,500: "Just trying to get a good picture." Early builder, acquirer of cable franchises. Sold Cablevision Industries to Time Warner for \$2.8 billion 1996. Owns big stake in AOL Time Warner; invests via private firm Granite Associates.

Helen Copley

\$840 MILLION

Newspapers. La Jolla, Calif.

79. Divorced, widowed; 1 son

Inherited 97-year-old newspaper empire—including flagship *San Diego Union-Tribune*—from husband James Copley (d. 1973). Presided over two Pulitzer Prizes before placing son, David, at helm last year. Today Copley Press publishes 9 dailies, 8 weeklies. Recently acquired 3 dailies in Ohio. Supports education, animal shelters.

Jeffrey Katzenberg

\$800 MILLION

Movies. Los Angeles.

51. Married, 2 children

Former Disney studio chief must be watching with glee as old boss Michael Eisner squirms under pressure from company directors, disgruntled shareholders. More so now that DreamWorks SKG, the studio he founded with David Geffen and Steven Spielberg, is firing on all cylinders: movies (including best picture winners *Gladiator*, *A Beautiful Mind*, *American Beauty*, *Shrek*), music (recent chart-topper Toby Keith), television (new deal with NBC gives peacock network first dibs on DreamWorks projects). "Take me off this list."

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Kenneth Feld

\$775 MILLION

Circus. Potomac, Md.

52. Married, 3 children

Lions and tigers and bears—and money. Father Irvin (d. 1984), rock 'n' roll promoter, began working at Ringling Bros. in 1956. Bought the big top in 1967; sold to Mattel in 1971 for \$50 million. Bought back in 1982 for \$23 million. Circus-raised Kenneth now runs the show, but lately spends much of his time fending off animal rights activists. Feld Entertainment also produces *Siegfried & Roy* show, *Disney on Ice*.

Roy Disney

\$750 MILLION

Walt Disney. Los Angeles.

72. Married, 4 children

Nephew of Walt Disney worked at Mouse Factory for 24 years as film editor, writer, producer. Left after spat with management in 1977. Returned in 1984 as vice chairman after teaming up with the Bass brothers of Texas (see). Rekindled emphasis on animated films: *Lion King*, *Little Mermaid*. Current head of feature animation maintains family-oriented Disney fare: reportedly toned down harsh character traits in latest film, *Lilo & Stitch*. Private investment arm, Shamrock Holdings (\$1.75 billion as-

sets under management), invests heavily in Israel. Avid sailor: skippered 75-foot pleasure craft *Pyewacket* to a record time in this year's Newport, R.I.-to-Bermuda race.

Gary Magness

\$750 MILLION

Inheritance. Cherry Hills, Colo.

48. Divorced, remarried; 2 children

Kim Magness

\$750 MILLION

Inheritance. Greenwood Village, Colo.

50. Married, 2 children

Sons of Bob Magness, founder of TCI Cable. Brothers inherited stock fortune after death of father in 1996; remain major shareholders in John Malone's Liberty Media. Both keep low profile; Gary recently married Sarah Siegel, an underwear entrepreneur who's daughter of Celestial Seasonings founder Mo Siegel. At lavish wedding for close friends, the guests got the gifts, including baby turtles to release in the ocean.

Herbert Siegel

\$725 MILLION

Television. New York City.

74. Divorced, remarried; 2 children

White knight investor in Warner Communications bought 21% stake in early 1980s; fell out of favor when he tried to kill Warner's merger with Time Inc. Formed United Paramount Network with Viacom; sold 10 television stations to Rupert Murdoch's News Corp. for \$5.3 billion in cash and stock.

Oakleigh B. Thorne

\$725 MILLION

Publishing. Amenia, N.Y.

70. Divorced, remarried; 4 children

Great-grandfather bought, built Commerce Clearing House, tax guide publisher for accountants, attorneys, government agencies (IRS largest subscriber). Sold 57% stake to Dutch media firm Wolters Kluwer 1996. His namesake, son Oakleigh, oversees family fortune, invested some in Internet ventures, including Ecollege.com, where he serves as chairman.

Hollywood's biggest DreamWorker;
Steven Spielberg. Page 130



Robert E. Petersen

\$700 MILLION

Publishing. Beverly Hills.

76. Married

Auto mechanic's son started *Hot Rod* magazine 1948 with \$400, hawked at race-tracks for 25 cents. Later added *Motor Trend*, *Guns & Ammo*, *Skin Diver*, *Teen*. Sold empire 1996 for \$500 million. Returned to publishing 2000 with purchase of *Sports Afield*. Recently sold magazine; but debuting *Sports Afield* show on TNN in January.

Brian Roberts

\$650 MILLION

Comcast. Philadelphia.

43. Married, 3 children

Second-generation cable guy set to become chief of world's largest cable provider upon federal approval of Comcast's purchase of AT&T's cable assets. Father Ralph started Comcast by buying cable system in Tupelo, Miss., 1963. Brian president since 1991, known for tight operation, high margins. Philadelphia-based outfit also owns pro hockey's Flyers, basketball's 76ers.

Marcy Carsey

\$600 MILLION

Television. Los Angeles.

57. Widowed, 2 children

By the Numbers

**57 members of
The Forbes 400
derive their fortunes
from media.**



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Tom Werner

\$600 MILLION

Television. Los Angeles.

52. Single, 3 children

Sitcom sultans. Cofounders of hitmaking television studio (*The Cosby Show*, *Roseanne*, *3rd Rock From the Sun*) hooked up in 1981, now one of the last remaining independent TV producers. Also partners in slow-starting women's network, Oxygen. Werner: Harvard grad, now part-owner of Boston Red Sox. Carsey: U. of New Hampshire, started out as NBC tour guide.

Roy Speer

\$600 MILLION

Television. Clearwater, Fla.

70. Married, 3 children

Along with Lowell (Bud) Paxson, founded Home Shopping Network after starting out in radio during 1970s. Sold to John Malone's TCI cable in 1993 for stock, kept it through 1999 merger with AT&T. Moved into digital video business, later selling to Phil Anschutz (*see*). Now tends to Florida real estate investments.

Stuart Subotnick

\$575 MILLION

Metromedia. New York City.

60. Married, 2 children

IRS clerk found road to wealth responding to classified ad for tax position at John Kluge's Metromedia (*see*). Hired, promoted to chief financial officer 13 years later. Kluge's right-hand man ever since, gets 5% cut in most Metromedia deals.

David I. Saperstein

\$575 MILLION

Radio. Houston, Los Angeles.

61. Divorced, remarried; 5 children

Baltimore native dropped out of college to sell used cars; came up with idea to sell traffic reports on radio while stuck in a snowstorm. Founded Metro Networks in 1978, grew to serve half of radio stations in U.S. markets. Sold to Westwood One 1999 for \$1.25 billion in stock. Now operates tree farms in Texas and Florida: "It's a growing business." Sits



Will **George Lucas** ever find another franchise like *Star Wars*? Page 128

on boards of Cedars-Sinai Hospital, Music Center of Los Angeles. Built \$100 million, 45,000-square-foot estate named Fleur de Lys: "We're just simple country folk just trying to keep bread on the table."

Vincent McMahon

\$570 MILLION

Wrestling. Greenwich, Conn.

57. Married, 2 children

Wrestling impresario who introduced "smackdown" into national lexicon trying to get off the mat after watching his company's ratings, earnings fall. Also roughed up in court, losing rights to "WWE" moniker to World Wildlife Fund. On the bright side: pinned Hollywood with successful *Scorpion King* movie starring character The Rock.

Michael Eisner

\$570 MILLION

Walt Disney. Los Angeles.

60. Married, 3 children

Red ink, red faces now standard fare at the Magic Kingdom after posting \$158 million loss in 2001. Shareholders, Disney heir Roy Disney increasing pressure to turn things around. Cast as villain for trying to lure David Letterman into struggling ABC web in an effort to replace Ted

Koppel. With Disney stock down more than 50% from late 2000, Eisner fishing hard for next *Millionaire* or *Lion King*.

Leonard Tow & family

\$550 MILLION

Media. New Canaan, Conn.

74. Married, 3 children

Cable entrepreneur sold Century Communications to Adelphia for \$5.2 billion in 1999. His 29 million Adelphia shares, once worth \$1.7 billion, now worth zilch. Now fighting for leftovers with other shareholders in bankruptcy court. Former economics professor and Broadway producer also runs rural telecom outfit Citizens Communications.

Lawrence Flinn Jr.

\$550 MILLION

Satellite TV. Jupiter Island, Fla.

67. Married, 3 children

Started as investment banker, moved into cable, satellite, electronic TV-show listing *Prevue Guide*. Sold United Video Satellite Group to Liberty Media 1978 for stock; claims to have sold majority of stock at recent lows; other holdings also down.



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Landlords

Real estate took the most visible hit on Sept. 11 when the Twin Towers toppled. But the fortunes of these land barons stood their ground in a shaken economy.

Donald Bren

\$4 BILLION

Real estate. Newport Beach, Calif.

70. Twice divorced, remarried; 4 children

Former Marine started out with \$10,000 loan, built first house 1958. Acquired sprawling ranch land 1977 with Al Taubman, Max Fisher and Herb Allen (*see*) for \$337 million, later bought out partners. Irvine Co. is Orange County's largest landowner, with some 93,000 acres of property.

Samuel LeFrak & family

\$2.6 BILLION

Real estate. New York City.

84. Married, 4 children

Developer built rental property fortune focusing on downtown Manhattan: stunning views of Twin Towers from ongoing \$10 billion Jersey City waterfront development; pricey Gateway apartments one block from Trade Center. Terrorist attacks forced 33% discounts to Manhattan renters, temporarily boosted vacancy in New Jersey buildings previously fully occupied. Seeing a rebound, plans to add more office space in Jersey City.

Leonard Stern

\$2.2 BILLION

Real estate. New York City.

64. Divorced, remarried; 3 children

Manhattan's ultrahip Soho Grand and Tribeca Grand hotels are gems in devel-

oper's real estate empire, but crown jewel is 35 million square feet of commercial space in New Jersey, mostly in the Meadowlands. With children focused on real estate and investments, sold non-real-estate assets like the *Village Voice* and Hartz Mountain pet-supply business, company his German immigrant father started with 5,000 canaries in 1926.

Leona Helmsley

\$1.9 BILLION

Inheritance. New York City.

82. Divorced, widowed

Demanding hotelier showing softer side in ad campaign featuring her beloved pooch, Trouble. Seems to love other trouble, too: recently fined by judge for skipping court hearing after feigning illness, only to be caught on tape leaving a fancy restaurant hours later. Being sued for \$10 million in breach of contract suit brought by onetime chief operating officer.

Donald J. Trump

\$1.9 BILLION

Real estate. New York City.

56. Twice divorced, 4 children

It wouldn't quite be The Forbes 400 if The Donald didn't disagree with our net worth estimate: "You've got *way* the wrong number." Condo sales strong at his residential buildings, other deals also rolling in: purchased Delmonico Hotel in Manhattan for \$115 million; planning 87 mansions on new Trump golf course in Westchester County, N.Y. Crown jewel:

40 Wall Street, bought for \$1 million, ahead of real estate boom, now worth hundreds of times that. Long-term leases keeping Wall Street's turmoil from affecting value. "All of my stuff has been fantastic." Not quite: publicly held Trump Hotels & Casino Resorts laden with debt, unprofitable since 1993.

Samuel (Sam) Zell

\$1.8 BILLION

Real estate. Chicago.

61. Divorced, remarried; 3 children

"Gravedancer" probably wishing he stuck with trademark bargain-hunting: his Equity Office Properties paid big last year to buy San Francisco office developer Ned Spieker's REIT, solidifying Equity as the country's largest office REIT. With Silicon Valley awash in vacancies and canceled leases, Equity Office shares mired at 1997 levels.

Thomas Flatley

\$1.2 BILLION

Real estate. Milton, Mass.

70. Married, 5 children

Irish immigrant spent career building apartments, offices, hotels throughout New England. Still holds 8 million square feet of commercial and retail space, but this August sold 4,323-unit apartment portfolio to Denver REIT Aimco for \$500 million cash. Big Catholic Church benefactor, friend of Boston Cardinal Bernard Law, involved in financial committee settling charges of pedophilia against priests.



Block by inner-city block, **Alan Casden** built an L.A. real estate empire. *Page 152*

Archie Aldis Emmerson

\$1.1 BILLION

Timberland, lumber mills. Redding, Calif.

73. Widowed, remarried; 3 children

"Red" learned lumber business from father, who built makeshift sawmills in family's backyard in 1930s. Father went bust, set out for California; Red followed later. In 1950 started lumber outfit. Took Sierra Pacific Industries public 1969; bought back five years later. Today California's largest private landowner. Spars with environmentalists over logging, even after selling 731 acres of land to preservationists.

Carl Berg

\$1.1 BILLION

Real estate; venture capital. Atherton, Calif.

65. Married, 1 child

Former loan processor, mortgage broker in Silicon Valley took warrants, stock in lieu of rent from fledgling tech companies. Suffering slightly from real estate slump, but Mission West Properties still manages 100 properties totaling 7 million square feet.

John Sobrato

\$1.1 BILLION

Real estate. Atherton, Calif.

63. Married, 3 children

Palo Alto residential broker in 1960s branched into commercial projects in Silicon Valley. Today owns 11 million square feet, 470 acres, 5,800 apartment units. With son, John Michael, launched \$10 million Sobrato Affordable Housing Fund. Sold 400,000-square-foot office space to VeriSign last October for \$283 million, spent proceeds on apartment units throughout western states.

John Arrillaga

\$1.1 BILLION

Real estate. Palo Alto, Calif.

65. Widowed; 1 son, 1 daughter

Richard Peery

\$1.1 BILLION

Real estate. Palo Alto, Calif.

62. Married; 3 sons, 1 daughter

Prescient partners bought California farmland in 1960s using little leverage; converted into pricey office space, became two of Silicon Valley's biggest commercial

landlords with more than 12 million square feet. Lately feeling tech industry's pain: vacancy rates now approaching 15%.

Mort Zuckerman

\$1.1 BILLION

Real estate, media. New York City.

65. Divorced, 1 child

Even real estate not immune from Enron fallout: Arthur Andersen pulled out of deal to be anchor tenant of Times Square Tower being built. Owns 10% of REIT Boston Properties, which he cofounded in 1970: Boston's Prudential Center, San Francisco's Embarcadero Center, Manhattan's Citigroup Center. Now buying Citigroup headquarters in New York for \$1.06 billion. Late-blooming publisher catching flak for struggling *U.S. News & World Report* and New York's *Daily News*, but sold *Fast Company* at height of market for \$365 million.

Edward P. Roski Jr.

\$950 MILLION

Real estate. Los Angeles.

63. Married, 3 children

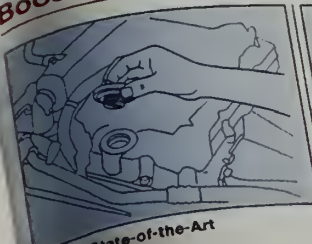
With pals Philip Anschutz and Casey Wasserman made a bid to bring pro



With tech tenants scarce, **Carl Berg** can't drive hard bargains.

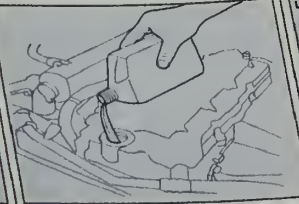


Boosting Mississippi's Economy.



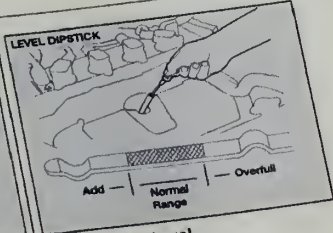
1. Open State-of-the-Art Nissan Plant.

Build a 2.6-million square foot facility within the state to build trucks, SUVs and minivans. Begin erecting structure immediately.



2. Have Suppliers Pour Resources Into Local Economy.

Production suppliers like Lextron/Visteon Automotive Systems, Systems Electro-Coating and AJA SouthStar Transport begin constructing new facilities in order to be closer to the plant.



3. Check New Level of Economy.

With the creation of thousands of new jobs and over a billion dollars injected into the region, observe the economic levels increase.



Caring for your state. 228

We develop new vaccines and combination vaccines.

Because the protection of life is as important

Wouldn't it be wonderful if many illnesses were just a memory? At Aventis, we are working toward this goal. As a world leader in vaccines, we help protect children around the globe from infectious diseases such as polio, diphtheria, tetanus, pertussis, meningitis and hepatitis B. We can prevent up to six illnesses with a single combination vaccine. However, for a number of diseases, there is still no comprehensive protection. Therefore, our scientists will continue to strive to develop innovative vaccines. So that our children can grow up more carefree.

Aventis, Strasbourg (France), is listed on the stock exchanges in Paris, Frankfurt and New York. www.aventis.com

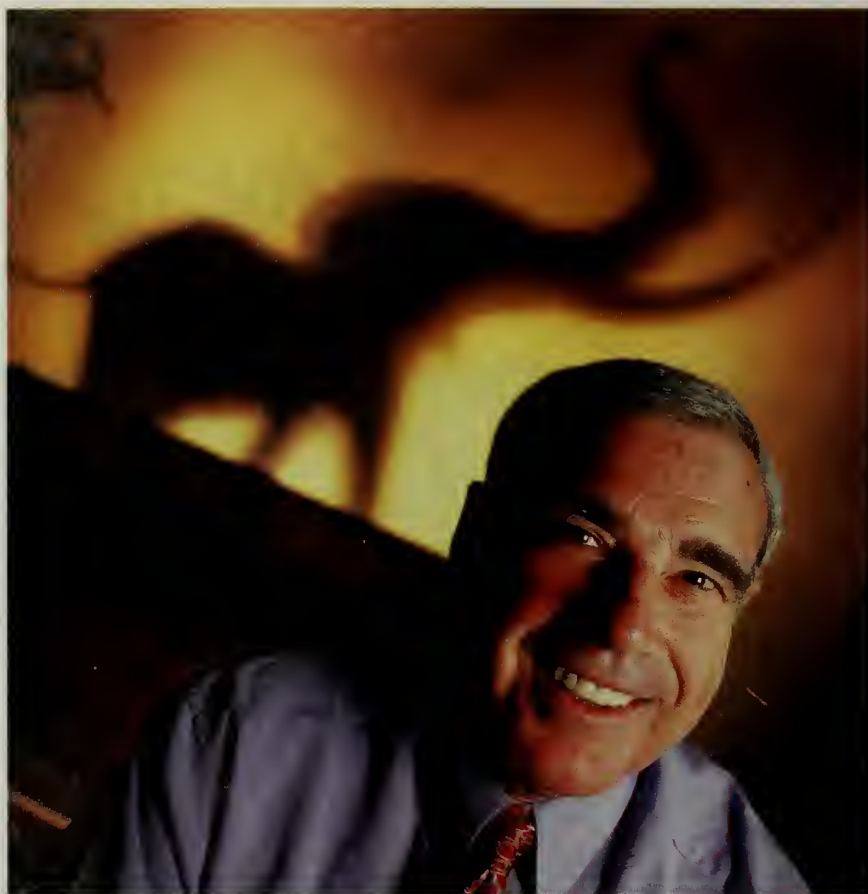


a mother's love.



Our Challenge is Life





Opposition sacked **Ed Roski's** bid to bring pro football back to L.A. Page 146

football back to Los Angeles. Proposal sacked by whining pols who wanted team to return to dilapidated Coliseum. Now fighting L.A. secession movement. Vietnam vet's Majestic Realty the largest commercial builder in Los Angeles with 50 million square feet of space. Pursuing additional developments near L.A. Staples Center, which he owns with Anschutz and Rupert Murdoch.

George Argyros

\$930 MILLION

Investments. Newport Beach, Calif.

65. Married, 3 children

Detroit-born grandson of Greek immigrants, raised in Pasadena. Earned real estate license 1962, began buying and selling corner lots at busy intersections for gas stations. Turned to apartments 1968. Today Arnel & Affiliates owns 5,155 apartments, 2 million square feet of commercial space in southern California. Bought, sold regional airline AirCal, Seat-

tle Mariners baseball team. Cofounded buyout firm Westar Capital 1987. Big Republican Party contributor, current ambassador to Spain and Andorra.

Edward J. (Eddie) DeBartolo Jr.

\$920 MILLION

Shopping centers. Tampa, Fla.

55. Married, 3 daughters

Ex-SF 49ers owner seen as potential buyer of football's Tampa Bay Buccaneers, basketball's Orlando Magic, but no deals. Still good year: Simon Property stock up 20% in 2002, paying \$50 million annual dividends.

Neil Bluhm

\$900 MILLION

Real estate. Chicago.

64. Divorced, 3 children

Chicago developer JMB Realty principal nearly knocked out in 1990s real estate

collapse. Stuck with real estate, now watching stock market turmoil with glee. Plans to develop coveted block in downtown Chicago failed, but construction nearly finished on skyscraper in Los Angeles' Century City. Moving ahead on Niagara Falls casino venture with Pritzker family (see); buying distressed corporate bonds with son Andrew.

Alexander Spanos

\$850 MILLION

Construction. Stockton, Calif.

79. Married, 4 children

College dropout quit \$40-a-week baker's job after pay dispute with his father. Made first million selling sandwiches to migrant workers. Shifted to real estate 1956. First motels, then apartments. Today owns 3,700 units. His autobiography, *Sharing the Wealth*, became a best-seller, but talk of moving his Chargers pro football franchise out of San Diego less popular: recently hired former Clinton spin doctor Mark Fabiani to take the flak.

Melvin Simon

\$850 MILLION

Real estate. Indianapolis.

75. Divorced, remarried; 4 children

"Meshuggener Mel" and younger brother Herb built one of America's largest real estate empires, peppering the country with

By the Numbers

29 members of The Forbes 400 derive their fortunes from oil.





Gives her broker investment ideas.

Is taking her company public.

Earns more than her CEO husband.

Wonders why anyone would be surprised.

Today, more women are making more money in more ways than ever before. Phoenix has been helping people who've done well do better for more than 150 years.

Money. It's just not what it used to be.

To learn about our products and services, ask your financial advisor and visit us at phoenixwm.com.

ACCUMULATE. PRESERVE. TRANSFER.



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250 malls, including Minnesota's gargantuan Mall of America. Also with Herb flirted with Hollywood 1970s, producing teen hit *Porky's*.

Walter Shorenstein

\$800 MILLION

Real estate. San Francisco.

87. Widowed; 1 son, 1 daughter

Manages more than 20 million square feet of trophy properties in cities across the country; spent summer purchasing buildings in Manhattan and Philadelphia. Controls more than 20% of downtown San Francisco office space, but claims he hasn't been hurt much by the tech rout

and ensuing vacancies: "We didn't do any dot-com stuff." Son Douglas runs company, daughter Carole award-winning theatrical producer. Big Democratic Party supporter.

Marvin (Buzz)

Oates

\$800 MILLION

Real estate. Sacramento, Calif.

79. Divorced, 5 children

NEW Earned two Distinguished Flying Crosses as a WWII bombardier. Returned to U.S. with \$2,000 savings, opened locksmith shop. Expanded as re-

tail chain A&A Key Builders Supply. Abandoned \$300,000 salary in retail after developing first property 1960s: "The real estate business has been far more profitable." Buzz Oates Cos. now owns \$1.3 billion in office, warehouse space in California's Central Valley. Vertically integrated: construction, financing, property management. Industry admiration: "He has the Midas touch."

Alan I. Casden

\$800 MILLION

Real estate. Beverly Hills.

56. Twice divorced, remarried; 2 children, 3 stepchildren

NEW Built fortune on high-density inner-city real estate in Los Angeles. Sold bulk of portfolio to Aimco in March for \$198 million cash, \$206 million Aimco stock and \$673 million assumed debt. His 1,381-unit Park La Brea complex also garnered \$418 million in cash, stock payments through 2004. "I didn't make it all in one year. It was year by year, project by project. I earned it." Proceeds to help finance Casden Properties' plans to build large-scale apartment complexes in Los Angeles over next 5 years. USC grad ditched accounting, went into real estate with \$1,000 savings in 1975. Strong Democratic Party supporter helped start Simon Wiesenthal Center and its Museum of Tolerance.

Guilford Glazer

\$700 MILLION

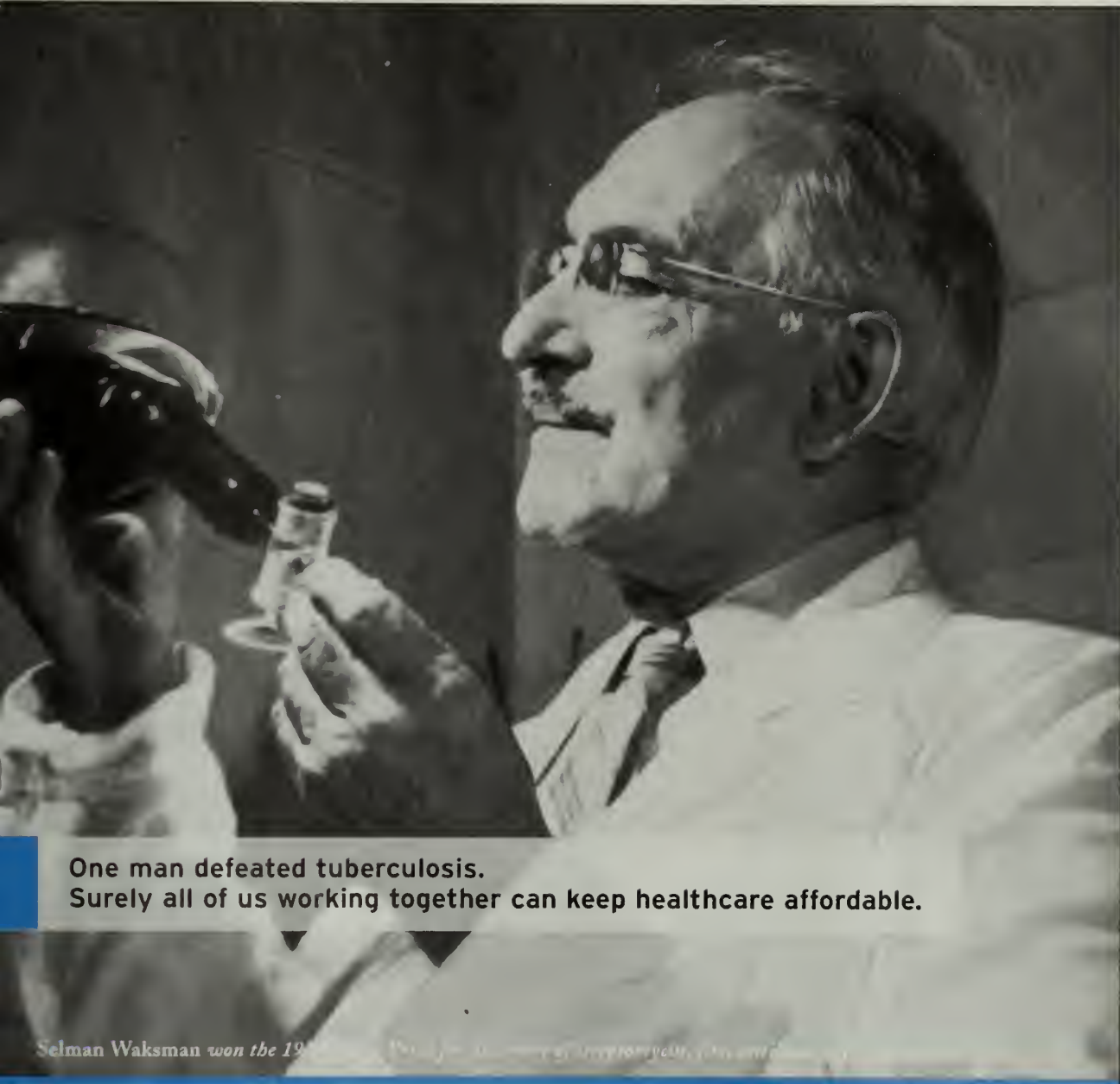
Real estate. Beverly Hills.

81. Divorced, remarried; 2 children

Son of Knoxville, Tenn. welder. Started his career in real estate by building apartments for widowed mother after he returned from World War II service. Added shopping centers in Tennessee, Ohio, West Virginia. Built Oak Ridge shopping center in 1950; sold for \$45 million. Moved to Los Angeles 1960. Built 3-million-square-foot Del Amo shopping mall 1971. Also big developments in Atlanta, Pittsburgh. Officially retired 1996 but still active in Jewish causes.

Dogged by lawsuits, **Leona Helmsley** still embraced Trouble with a smile. Page 144





**One man defeated tuberculosis.
Surely all of us working together can keep healthcare affordable.**

Selman Waksman won the 1952 Nobel Prize for his discovery of streptomycin.

Insurers. Drug companies. Hospitals. Physicians. Lawmakers. Employers. Consumers. We all need to work together to keep healthcare affordable. And right now, the BlueCross BlueShield system is leading the way.

We're funding research to uncover the real drivers of healthcare costs and we'll share what we learn. We've teamed up with the Washington Business Group on Health to launch the Institute for Health Care Costs and Solutions. We're working with others to support legislation so that safe, effective, lower-cost generic drugs get to market when they should.

Because the Blues collectively insure one out of four Americans, we know the size of the challenge. And we know that together, all of us can keep healthcare affordable.

To receive a copy of our research on the drivers of healthcare costs log onto www.bcbs.com.



**BlueCross BlueShield
Association**

An Association of Independent
Blue Cross and Blue Shield Plans



Alex Spanos' rumored plan to have his pro football team hightail it out of San Diego grounded for now. See page 150

Alfred Taubman

\$700 MILLION

Real estate. Bloomfield Hills, Mich.

78. Divorced, remarried; 3 children

Moved from auction house to the Big House this year after jury convicted former Sotheby's chairman of fixing prices with rival house Christie's. Showed up early to begin serving year-and-a-day sentence in federal medical center in Minnesota. Trying to unload his Sotheby's stake. University of Michigan dropout started his shopping center empire with a \$5,000 loan, took public via REIT 1992. Still holds 30% stake in Taubman Centers. Son Robert is Taubman Centers chairman, chief executive.

Sheldon Solow

\$700 million

Real estate. New York City.

74. Married, 2 children

Small-time builder risked it all 1972 on 1.5-million-square-foot skyscraper at 9 West 57th St. in Manhattan. Despite vacancy rate of 10%, building remains one of New York's prime office spaces.

Robert Congel

\$700 MILLION

Shopping centers. Fayetteville, N.Y.

67. Married, 5 children

Mall magnate building America's biggest mall, hotel and entertainment center near

Syracuse, N.Y. Facility to include a 1,500-foot-long replica of Erie Canal. Working with America West founder Edward Beauvais on unlikely idea of delivering shoppers via new regional airline.

Leonard Litwin

\$550 MILLION

Real estate. New York City.

87. Married, 2 children

Long Island native built wholesale nursery business. Branched into high-rise apartment construction on Manhattan's East Side, 1950s. Today Glenwood Management manages 3,500 apartments in New York City. New 42-story tower to coincide with rebuilding at World Trade Center site.

**WHY A BARTENDER IN SOHO
SHOULD BE CONCERNED WITH THE POTATO HARVEST
IN POLAND.**

There is only one luxury potato vodka in the world: Chopin Vodka. Made from the Stobrawa potato, it has a round, full character with a smooth, clean finish. It is crafted according to a 500-year-old tradition and distilled four times.



CHOPIN

IMPORTED

THE WORLD'S ONLY LUXURY POTATO VODKA

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An aerial photograph of a coastline with a white circle and arrow pointing to a specific location.

TED'S CUSTOMER

INFRASTRUCTURE WIRELESS PLAY

- 1] e-business is anything but a 9 to 5 desk job. To stay in the game, you need instant access to data wherever you may roam. Get there by integrating wireless into your infrastructure.
- 2] Increase your reach with IBM's global wireless experts, top notch Business Partners, wireless-enabled ThinkPad® notebooks and WebSphere® Everyplace™ Access software. It's just one of the many end-to-end solutions for real-time information from mother ship to shore.
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@business is the game. Play to win.™

TED'S DATA



IBM®



TED

Green Thumbs

Investors may be fleeing the stock market, but able money managers are still in big demand. The people listed here do everything they can to make your investments grow green.

Abigail Johnson

\$8.2 BILLION

Mutual funds. Boston.

40. Married, 2 children

Edward Johnson III

\$4.1 BILLION

Mutual funds. Boston.

72. Married, 3 children

Father and daughter run Fidelity Investments, nation's largest mutual fund company, with \$770 billion under management, but lately feeling effects of slumping stock market: \$100 billion sapped from accounts. With flagship Magellan Fund down 21%, company now playing it more conservatively, pushing new Treasury bond fund.

George Soros

\$7 BILLION

Hedge funds. Bedford, N.Y.

72. Divorced, remarried; 5 children

Money manager known for big bets: made \$1 billion on British pound 1992, lost \$2 billion during Russian crisis 1998. Despite the ups and downs Quantum fund mostly up: average returns of 31% over its 30-year history. Recently hired Julian Robertson

protégé Robert Bishop to guide \$11.5 billion investment and real estate portfolio, most owned by Soros family.

Alfred Lerner

\$4.3 BILLION

Banking. Shaker Heights, Ohio.

69. Married, 2 children

A hero in Cleveland for bringing back the city's beloved pro football Browns franchise, but gridiron losses mount. Ex-marine and native New Yorker started as furniture salesman in Cleveland, went into real estate investing, banks. Now heads MBNA, famous for pushing association-sponsored credit cards. Major donor to Columbia University, cancer research, George W. Bush campaign.

Peter Kellogg

\$1.9 BILLION

Finance. Short Hills, N.J.

59. Married

Father James joined specialty investment firm in 1945. Peter became director in 1973, sold Spear, Leeds & Kellogg to Goldman Sachs for \$5.7 billion in 2000. Made killing on side investments in mid-

1990s (Alex. Brown, National Discount Brokers); owns large stakes in a handful of smaller companies, mostly finance and technology. Chairman of Wisconsin investment firm Ziegler Companies.

Richard Rainwater

\$1.9 BILLION

Real estate, energy, insurance. Fort Worth.

58. Married, 3 children

Contrarian investor rewarded with post-Sept. 11 bet on catastrophe insurer PXRE Group: investment up 60%. "I look for great moments to enter a business, and that's usually when it's on its back." Got start managing Bass family's \$50 million portfolio 1970, including big Disney stake in 1984. Broke out on his own two years later. "I'm just a retired guy who made a couple billion by being in the right place at the right time."

Herb Allen

\$1.8 BILLION

Investment banking. New York City.

62. Twice divorced, 4 children

Tanking media stocks meant no big deals germinated at Allen's annual confab in Sun Valley, Idaho. Board member, big



A winner off the
gridiron, **Al Lerner**
hopes he can score
again with his
Cleveland Browns.

investor in Coca-Cola; the beverage company's board approved expensing stock options at the conference.

Charles Johnson

\$1.7 BILLION

Franklin Resources. San Mateo, Calif.

69. Married, 6 children

Rupert Johnson Jr.

\$1.3 BILLION

Franklin Resources. San Mateo, Calif.

62. Married

Half-brothers run mutual fund giant Franklin Resources. Yale grad and ex-Army lieutenant Charles is chairman and CEO; Washington and Lee grad and ex-Marine Rupert is vice chairman. After last year's purchase of Fiduciary Trust, firm now manages \$271 billion in assets.

Fayez Sarofim

\$1.6 BILLION

Finance. Houston.

73. Divorced, 5 children

Son of Egyptian cotton grower founded Fayez Sarofim & Co. investment bank 1958 with \$100,000 from dad; now manages \$40 billion in assets. "The Sphinx" known for sticking with big company stocks through good times and bad. With fellow Texan Robert McNair (*see*), minority partner in pro football's Houston Texans. Funded Sarofim Hall, new \$5 million, 2,650-seat Broadway-style theater in downtown Houston.

Alec Gores

\$1.6 BILLION

Leveraged buyouts. Beverly Hills.

49. Divorced, 4 children

Tom Gores

\$1.5 BILLION

Leveraged buyouts. Beverly Hills.

37. Married, 2 children

Billionaire buyout brothers emigrated with family from Israel 1968. Worked together until 1995 split. Now neighbors in LA, compete for deals. Tom: runs Platinum Equity, 21 operating companies with \$4 billion in revenues. Alec: more than 40



A big bet left **Richard Rainwater** beaming over a blossoming fortune. *Page 158*

acquisitions via Gores Technology Group, generating \$4 billion in revenues.

Stanley Druckenmiller

\$1.5 BILLION

Money management. New York City.

50. Married, 3 children

Famous for billion-dollar bet against the British pound in 1992 that generated 30% returns for George Soros' Quantum Fund. Parted with Soros in 2000, still manages \$4 billion in his Duquesne Capital hedge fund, returned \$1.5 billion in annual gains to investors last year.

Jackson Stephens

\$1.4 BILLION

Investment banking. Little Rock, Ark.

79. Twice divorced, 2 children

Joined brother Witt at investment bank Stephens, Inc. after graduation from U.S. Naval Academy in 1946. Firm helped take Wal-Mart, J.B. Hunt public. Bought Donrey Media in 1993; today Stephens Media Group; 21 newspapers. Chairman emeri-

tus of Augusta National, site of golf's Masters tournament.

Bruce Kovner

\$1.4 BILLION

Hedge funds. New York City.

57. Divorced, 3 children

NYC cabbie borrowed \$3,000 at age 31 to trade commodities. Started Caxton hedge fund in 1983. Today manages \$9 billion in assets. Fund closed to new investors, but those lucky enough to get in earned 30% last year. American Enterprise Institute vice chairman invested in conservative daily *New York Sun*, where daughter Rachel now works as a reporter.

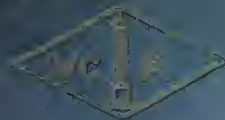
Charles T. Munger

\$1.3 BILLION

Berkshire Hathaway. Los Angeles.

78. Divorced, remarried; 8 children

Low-profile partner of Warren Buffett serves as vice chairman of Berkshire Hathaway. Met Buffett 1959, started investing in Berkshire soon after. Runs Berkshire's Wesco Financial subsidiary out of Los Angeles; also guides legal



Van Cleef & Arpels

Alberto Vilar still sings tech's tune, but hit a sour note with LA Opera. *Page 166*



publisher Daily Journal Corp., sits on board of big-box retailer Costco. Harvard-trained lawyer avid fisherman, supporter of arts in southern California: donated 100 Berkshire shares to help build new wing at Pasadena's Huntington Library.

Henry Kravis

\$1.3 BILLION

Leveraged buyouts. New York City.

58. Twice divorced, remarried; 2 children

George Roberts

\$1.3 BILLION

Leveraged buyouts. San Francisco.

58. Married; 3 children

First cousins who left Bear Stearns with Jerome Kohlberg (*see*) to form investment boutique KKR. Bought underperforming companies using high-yield bonds. Immortalized as "barbarians at the gates" during Nabisco buyout of 1989. Kohlberg left 1987; partners still run firm using less debt in longer-term deals.

Sanford Weill

\$1.1 BILLION

Citigroup. New York; Greenwich, Conn.

69. Married, 2 children

Head of world's largest financial services company oversees \$1 trillion in assets; lately spending time fending off feds investigating his firm's dealings with Enron. Brooklyn native, former bank clerk, became president of American Express in 1985. Created insurance giant Travelers Group through acquisitions. Merged with Citicorp in 1998. Current chief (with no successor in sight) still turning deals: waiting to buy Golden State Bancorp, spin off Travelers insurance division. Known for rich options packages, generous donations, especially to med school of alma mater Cornell.

Gerald J. Ford

\$1 BILLION

Banking. Dallas.

58. Divorced, remarried; 4 children

Farm boy bought first bank in 1975 with \$1.2 million loan, later sold for \$80 million profit. Found bigger fortune buying and selling thrifts with Ronald O. Perelman (*see*). Latest score: in May agreed to sell California's Golden State Bancorp for \$6 billion to Citigroup. Will personally reap \$800 million in stock, but no plans to retire: "I'm going to go look for something to buy or take over in financial services." Vacations on Long Island estate and New Mexico ranch.

Jerome Kohlberg

\$1 BILLION

Leveraged buyouts. New York City.

77. Married, 4 children

Left Bear Stearns with protégés Henry Kravis and George Roberts (*see*), to form famed leveraged buyout group KKR. Left in 1987 to start own firm; retired 1994. Now active supporter of campaign finance reform.

Richard Mellon Scaife

\$1 BILLION

Inheritance. Ligonier, Pa.

69. Divorced, remarried; 3 children

Cordelia Scaife May

\$700 MILLION

Inheritance. Ligonier, Pa.

74. Divorced, widowed

Grandchildren of Richard Beatty Mellon inherited big chunk of Mellon banking fortune after mother died in 1965. Richard: controls small daily-paper chain Westminster Media Group, including the archconservative *Pittsburgh Tribune-Review*. Backs conservative think tanks; investor in right-wing news Web site NewsMax.com. Low-key Cordelia: early backer of B2B software firm Freemarkets. Brother and sister long estranged after Richard accused Cordelia's late husband of corruption.

Thomas Bailey

\$975 MILLION

Janus Funds. Aspen, Colo.

65. Divorced, 2 children

Though he remains chairman of the mutual fund he started in 1969, all signs point to the exit door: stepped down as Janus chief in July; sold remaining 6% stake in Janus to Stilwell Financial for \$600 million. Janus' \$133 billion in assets now steered by star managers Helen Hayes and James Goff.

Nelson Peltz

\$915 MILLION

Leveraged buyouts. Bedford, NY.

60. Divorced, remarried; 8 children

LBO king getting bad publicity for fighting Westchester County ban to commute in and out of his estate by helicopter; worse publicity for loans his Triarc provided an employee to buy into Scientia fund run by ImClone's Sam Waksal. Peltz is on the fund's board. Scored big by selling Snapple for \$1.5 billion in 2000, but lost battle for Burger King to rival Texas Pacific in July.

Thomas Lee

\$900 MILLION

Leveraged buyouts. New York City.

58. Divorced, remarried; 4 children

Back on prowl after raising \$6.1 billion last year, but so far just 11% invested. Lost bid to buy Burger King, but offer for Qwest's Yellow Pages business said to be looming.

Jon Runkle
Managing Director
Investment Banking

A small pharmaceutical wanted
to expand in a big way
(more R&D = more amazing drugs).
Their dream became our own.

Morgan Stanley
One client at a time.

Morgan Stanley
One client at a time.

00000070
Diabetes Trials

A small pharmaceutical company had outsized ambitions: to grow quickly into a global powerhouse. Morgan Stanley helped make it happen. First by searching out the most strategic merger partner. Then brokering sensitive negotiations to create a cultural and management balance that allowed for a merger of equals. The result? A health care giant was born. Such complex challenges are our passion. Such client successes are our mission. What can we do for you?

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This past February, UPS® (a.k.a. BROWNSM), the shipping innovator-turned-logistics powerhouse, unleashed a \$45 million ad campaign, the largest in the company's 95-year history. The ensuing ensemble of print, television and radio spots extolling the virtues of that most unassuming of colors is prompting people from all walks of life to ask the question ...



SO, WHAT'S UP WITH BROWN?

Is UPS changing its name to BROWN? "No, but we have changed from the way most people perceive us," says Gary Mastro, UPS vice president of brand and product marketing, who explains that the company has evolved in recent years — putting its logistics experience, technological expertise, financial strength and knowledge of the supply chain to work in areas beyond package delivery. "What we wanted the 'WHAT CAN BROWN DO FOR YOU?'SM ad campaign to do was let everyone from the CEO to the mailroom manager know about our expanded capabilities. Since people have always associated UPS with the color of its trusty uniforms and reliable trucks, in this ad campaign we decided to let BROWN do the talking for us."

BROWN as Spokesman for What's New

UPS has developed a whole portfolio of services that helps companies precisely manage the flow not only of goods, but also of data and funds from one end of their supply chain to the other. Mastro says they're using BROWN to announce UPS's new capabilities in finance, electronic funds transfer, logistics, customs brokerage, freight movement, Web retailing and distribution, consulting and financing, and to explain how the company enables more efficient and more profitable global commerce.

Improved Visibility Equals Supply Chain Efficiencies

To keep abreast of the 13.6 million packages it delivers each day to more than 200 countries and territories, UPS has developed unsurpassed information-gathering capabilities. It also has excelled at providing access to that information through a variety of channels.

The company knows what is moving, how much of it is moving, who is moving it, where it's moving through and to, and when it's received. That information is invaluable to UPS customers, who can use it to improve customer service functions, manage prod-

BROWN: Partner at All Levels

But the company's capabilities hardly stop there. UPS can help at all levels of an organization — from planning new operations to assuming complete responsibility for them. "UPS will help shape and share your vision for growth," says Mastro. The company currently manages entire operations for major corporations in areas like customer service, warehousing, logistics, Internet retailing — even overnight parts repair. UPS also is providing credit guarantees, goods insurance and payment collection for many other customers to

"We can provide a high level of visibility into the movement of goods, and that translates into efficiencies all across the supply chain."

uct inventories and adjust billing processes, among other functions. Hundreds of thousands of companies use UPS tracking software for both internal and Web site use, and many use the company's electronic proof-of-delivery to shave days, even weeks, off billing cycles. UPS also uses its tracking expertise to develop systems for customers that trace the movement of their raw goods through to their finished products.

"We can provide a high level of visibility into the movement of goods," explains Mastro, "and that translates into efficiencies all across the supply chain."

help keep their operations running smoothly. These expanded new capabilities are helping customers free up precious corporate resources — and funds — that are better spent elsewhere in the organization.

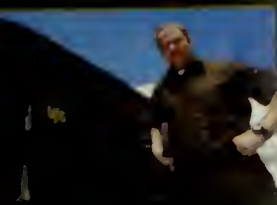
So whether you're running a multinational or garage startup, need a little overseas distribution assistance or a comprehensive global e-business plan, it stands to reason that BROWN may be able to do a lot more for your company than you ever imagined. ■



WHAT CAN BROWN DO FOR YOU?

ONE

(ONE DRIVER. ONE PICKUP. ONE RELIABLE NETWORK. ONE FEWER WRINKLE ON YOUR FOREHEAD.)



ups.com

Instead of three different pickups and three different drivers for ground, overnight and international, Brown gives you one pickup and one driver. The same driver you know and count on. UPS' seamless, unified network makes shipping reliable, simple and easy – no matter what you're sending, no matter when it has to be there. So relax. You've got Brown.



WHAT CAN BROWN DO FOR YOU?™



Michael Price has always fixed his gaze on value investments. This year his private firm bet big on oil and rigging stocks.

Alberto Vilar

\$900 MILLION

Money management. New York City.

61. Divorced

Early investor in AOL, Ebay, Amgen and Genentech, still loyal to tech and biotech. Predicts "molecular biology and not big pharma" will fuel the next wave of medicine, as well as the funds managed by his Amerindo Investment Advisors. The firm is 85% invested in tech companies, many still private. Big patron of the arts, including a recent \$30 million gift to New York University's Tisch School of the Arts.

Michael F. Price

\$875 MILLION

Money management. Far Hills, N.J.

51. Divorced, remarried; 4 children

Learned finance as research assistant under Max Heine (d. 1988); bought firm after founder's death. Earned reputation for buying undervalued companies, raising hell. Po-keted \$670 million selling Heine to Franklin Resources in 1996. Now manages own private investing firm. Recent bets: U.S. oil and rigging stocks, U.K. electric-switch maker Delta Plc.

Alfred P. West Jr.

\$825 MILLION

Money Management. Paoli, Pa.

59. Married, 3 children

Wharton student worked as professor's aide in 1968; sparked idea for Simulated Environments: automation of banks' back-office operations. Added asset management, private banking in 1980s. SEI now manages \$77 billion in assets, processes \$50 trillion in transactions annually. Unhappy with company in early 1990s, cleaned house, knocked down walls: all SEI furniture now on wheels. "Change is just a way of life now." Hunts on 10,000-acre Texas ranch, lounges on Jupiter Island, Fla.

Edward Lampert

\$800 MILLION

Money management. Greenwich, Conn.

40. Married, 1 child

Driven money manager takes large stakes in handful of companies he fully understands—e.g., AutoZone, AutoNation, check printer Deluxe, Payless ShoeSource. Stellar performance (average annual return of at least 30% over 14 years, including 66% last year) draws star clients: David Geffen, Ziff brothers (*see*).

Got start with summer job at Goldman Sachs, included carrying Robert Rubin's bags. Left to start his Greenwich, Conn.-based ESL Partners 1998; Richard Rainwater early investor.

Theodore Forstmann

\$775 MILLION

Leveraged buyouts. New York City

62. Single

Columbia law grad cofounded buyout firm Forstmann, Little in 1978. Early scores with Ziff-Davis, General Instrument, Gulfstream, but less luck lately, especially investments in McLeodUSA and XO Communications, both of which have filed for bankruptcy. State of Connecticut suing firm to recover losses. Now hoping to raise \$500 million through public offering of radio station company Citadel.

B. Francis Saul II

\$775 MILLION

Inheritance, banking, real estate.

Chevy Chase, Md.

70. Married, 5 children

Washington, D.C.-area mall owner and

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DINNER

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developer formed B.F. Saul REIT 1964, took private 1988. Launched second REIT, Saul Centers, 1993. First livelihood: banking. Started Chevy Chase Bank out of trailer 1969, now capital area's largest.

Michael Milken

\$775 MILLION

Investments. Los Angeles.

56. Married, 3 children

Financial genius spawned 1980s leveraged buyout craze pushing junk bonds at Drexel Burnham. Found guilty of securities fraud, spent 22 months in prison, barred from securities industry. Rehabilitating reputation via philanthropy. Finances research in prostate cancer and epilepsy. Cofounded Knowledge Universe with brother Lowell and Oracle's Larry Ellison, invested in educational toymaker Leapfrog.

Julian Robertson Jr.

\$760 MILLION

Money management. New York City.

70. Married, 3 children

In January the legendary hedge fund manager finally closed Tiger Fund for good. Started handing out cash to shareholders in 2000, after 2 years of losses. Big US Airways bet never paid off: Last year's 25% stake in airline now under 1% after doling out shares to investors; selling off other personal holdings. Still a mentor to up-and-coming hedge fund managers; golfs on his land in New Zealand. Spokesman: "Julian is very happy to be out of the business of managing other people's money."

Thomas Marsico

\$760 MILLION

Mutual funds. Englewood, Colo.

47. Married, 3 children

Made money for investors as star fund manager at Janus; made fortune after striking out on his own, selling company to Bank of America for \$1.1 billion. Former tech acolyte ditched those stocks in favor of GM, Home Depot. "We think people are going to continue to invest in their homes and things that have intrinsic value."



His salad days behind him, **Mike Milken** mixes it up in philanthropy.

Leon Levy

\$750 MILLION

Investments. New York City.

77. Divorced, remarried; 1 daughter

Jack Nash

\$650 MILLION

Investments. New York City.

73. Married, 2 children

Longtime partners, formerly ran Odyssey Partners funds. Last year Levy made \$100 million shorting the Nasdaq; this year he's still bearish, predicting a 60% chance of another recession. Says recent investments in Russian equities have been fruit-

ful, but overall, "We haven't made enough to buy you dinner. Well, *maybe* we could buy you dinner." Big private art collection; donates to Harvard, Bard, other schools. Publishing *The Mind of Wall Street* this fall, a tome on "the psychology of economics."

Richard S. Strong

\$750 MILLION

Money management. Brookfield, Wis.

60. Married, 1 child

Low-key fund manager made some noise this summer after 2 top bond execs left, one of whom was co-chief

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George Soros is still sitting pretty with a \$7 billion fortune. *Page 158*

executive at privately held Strong Financial Corp. Founded company 1974 working out of his car. Owns 85% of firm that manages \$43 billion.

Thomas Hicks

\$725 MILLION

LBOs. Dallas.

56. Divorced, remarried; 6 children

University of Southern California business school grad spun tunes for father's radio stations, quit when dad refused to expand. Formed buyout fund Hicks, Muse, Tate & Furst. Bought Dr Pepper, Seven-Up for \$45 million; sold for \$700 million 2 years later. Acquired radio stations; sold to Clear Channel for \$17.1 billion. Lately licking wounds: technology plays, investments in Argentina. Owner of pro baseball's Texas Rangers.

William K. Bowes

\$700 MILLION

Venture capital. San Francisco.

76. Married

Began backing entrepreneurs as a hobby in the 1950s. Big scores with Amgen, Sun Microsystems. Worked on Hewlett-Packard's IPO during 25-year tenure with Blyth & Co. (now PaineWebber Securities). Founded U.S. Venture Partners 1981, since has invested \$1.1 billion in more than 271 companies. Gives to alma mater Stanford.

Bernard Osher

\$625 MILLION

Banking, investments. San Francisco.

75. Married

NEW Financier took control of Bay Area auctioneer Butterfield & Butterfield 1970, built into one of country's largest houses. Planned for IPO 1999, but sold out to Ebay instead for \$260 million in stock. Noted philanthropist gives to the arts, Jewish causes, education. Owns 5% stake in Golden West Financial, founded by sister Marion Sandler and husband Herbert (*see Near Misses*).

Joshua Green III

\$580 MILLION

Inheritance, banking, real estate. Seattle.

66. Divorced, remarried; 3 children

Fourth-generation banker holds big stake in US Bancorp, which bought his fam-

ily's Peoples National Bank in 1987. Stepped down from US Bancorp board April 2002. Avid fly-fisherman, gives to Seattle causes.

James Stowers Jr.

\$575 MILLION

Money management. Kansas City, Mo.

78. Married, 4 children

WWII fighter pilot started first mutual fund in 1958 with \$100,000 and 24 shareholders. Today American Century Investments manages \$75 billion in assets. Sold 45% stake to J.P. Morgan for \$900 million 1997. Co-chairman with son James III. The "Eternal Bull" known to enjoy peanut butter and jelly sandwiches at employee cafeteria. Cancer survivor, recently carried Olympic torch. Donated more than \$1.5 billion to his eponymous research center in Kansas City.

Lowell Milken

\$575 MILLION

Investments. Los Angeles.

53. Married, 4 children

Younger brother, former right-hand man of junk bond mastermind Michael Milken (*see*). Avoided securities fraud charges when brother pled guilty. Now chairs family foundation (hands out \$25,000 checks to top teachers), dabbles in real estate. Downplays association with brother Mike. Spokesman: "Lowell's successful in his own right."

By the Numbers

27 members of The Forbes 400 derive their wealth from real estate.



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emission is pure water**



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the window down again**

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From the car company at the forefront of hybrid technology comes yet another automotive breakthrough: the world's first commercially available, hydrogen-powered vehicles. These revolutionary SUVs use an advanced fuel cell to generate power. And remarkably, their only emission is water. That's right — pure water.

To prepare for limited launch later this year, Toyota tested more fuel cell prototypes than any other automaker. Our fleet was subjected to an extraordinary range of conditions, from the desert to the city. So that no matter where it's driven, the only difference between a fuel cell vehicle and a normal car is the distinct lack of emissions.

Our hope is that one day every vehicle in the world will be as environmentally advanced. Who knows? In the future, the only effect felt from driving a car could be the wind in your face.

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Gold Diggers

Taking risks remains the essence of capitalism. These investors—some white knights and angels, others hostile—gambled on an array of companies.

Carl Icahn

\$5.8 BILLION

Investments. New York City.

66. Divorced, remarried; 2 children

A corporate raider in 1980s with big scores in Texaco, USX and TWA, now prefers the label "shareholder activist." Made \$800 million selling Nabisco, shorting Priceline. Recently tussled with Ted Forstmann (*see*) over control of ailing XO Communications, and bought nearly \$1 billion in bonds of bankrupt Federal-Mogul.

Kirk Kerkorian

\$4.5 BILLION

Investments. Las Vegas, Los Angeles.

85. Thrice divorced, 2 children

Third fling with studio MGM is rocky: stock down over 40% this year. New James Bond flick may help. Third marriage also a bust; ex-wife Lisa asks for \$3.8 million a year in child support, though Kerkorian isn't the natural father. Pursues lawsuit versus DaimlerChrysler over 1998 merger.

H. Ross Perot

\$3.7 BILLION

Computer services, real estate. Dallas, Tex.

72. Married, 5 children

Two-time presidential candidate had to answer to California lawmakers on accusations that his Perot Systems helped energy sellers exploit the state trading system. Company cleared, but stock is down 40%-plus. New 10-year, \$392 million Navy contract should help. Founded Electronic Data Systems 1962, sold to General Motors in 1984 for \$2.5 billion. Started Perot Systems 1988. Son Ross Jr. now runs Perot Systems, manages family's extensive real estate.

Lester Crown & family

\$3.1 BILLION

Investments. Wilmette, Ill.

77. Married, 7 children

Son of Chicago financier Henry Crown (d. 1990), who created Material Service with two brothers in 1919, merged with

General Dynamics 1959. Lester controls family holdings, including large stakes in Maytag, Bank One, Rockefeller Center.

Henry Hillman

\$2.9 BILLION

Industrialist, venture capitalist. Pittsburgh.

83. Married, 4 children

Son of steel tycoon John Hartwell Hillman Jr., who built Pittsburgh Coke & Chemical. Henry joined after Princeton, took over in 1959. Invested in light industry, real estate, biotech and technology. Backed Silicon Valley's Kleiner Perkins.

Ronald O. Perelman

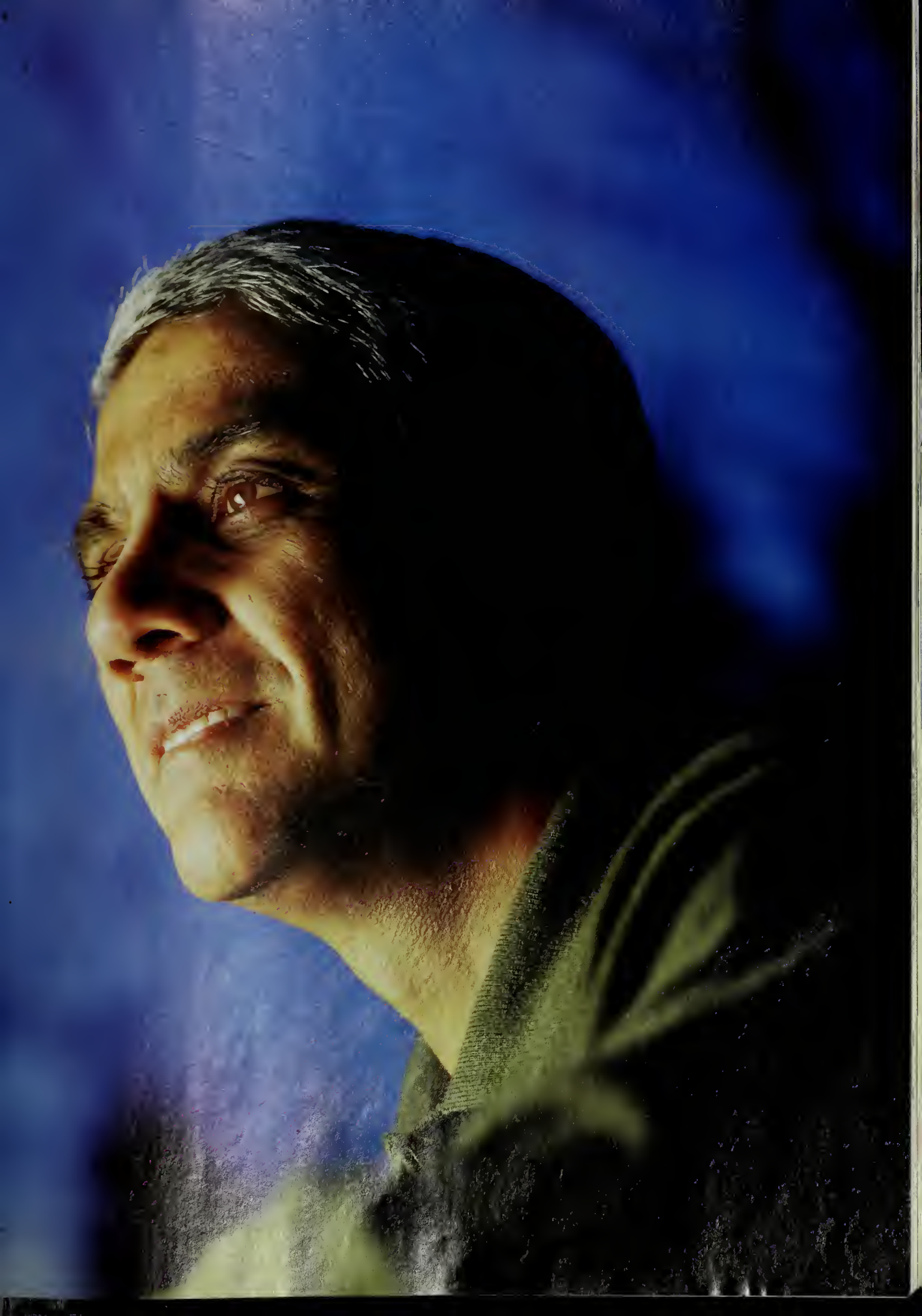
\$2.6 BILLION

Investments. New York City.

59. Thrice divorced, remarried; 6 children

Leveraged buyout lover finally ended long slump with sale of Golden State Bancorp

Looking for the next Sun: **Vinod Khosla's** fortune endures. *Page 182*



to Citigroup. His stake worth \$2 billion. Some stock pledged to secure debts, may be for dud deals like Revlon, Sunbeam, Panavision. First big score (excluding fourth wife, Ellen Barkin) since \$2.5 billion sale of New World Communications to Fox in 1996.

Preston R. Tisch

\$2.6 BILLION

Loews. Harrison, N.Y.

76. Married, 3 children

Laurence A. Tisch

\$2.2 BILLION

Loews. Westchester, N.Y.

79. Married, 4 children

Investing brothers built \$19 billion (sales) conglomerate starting with New Jersey resort purchased with father in 1955. Gained control of Loews 1959; later, insurer CNA Financial, watchmaker Bulova, tobacconist Lorillard Corp., oil explorer Diamond Offshore Drilling. Made a billion on CBS; lost billions shorting the S&P. Younger generation took over in 1999; brothers spend time on philanthropy.

Susan Thompson Buffett

\$2.5 BILLION

Marriage. San Francisco.

70. Married, 3 children

Separated from husband Warren Buffett (*see*) in 1977, moved to San Francisco to pursue singing career. Serves as Berkshire Hathaway board member, active in civil rights, abortion rights and population-control causes.

Carl Pohlad

\$2 BILLION

Banking. Minneapolis.

87. Married, 3 children

Son of a railway brakeman quit college to sell used cars. After World War II, built banking empire after turning around brother-in-law's bank in 1955. Now owns stakes in U.S. Bancorp Piper Jaffray, Pepsi-Americas. Reaped \$1 billion selling assets to

Wells Fargo this year. Owner of moneylosing Minnesota Twins, wants taxpayers to pay for new stadium.

Clemmie Dixon Spangler Jr.

\$1.9 BILLION

Investments. Charlotte, N.C.

70. Married, 2 children

Helped father restore foundering Bank of North Carolina before merging with NCNB 1982. Renamed NationsBank, merged with BankAmerica to form Bank of America; now controls 16 million shares. Also owns National Gypsum, real estate through C.D. Spangler Construction. Former president of University of North Carolina now tinkers with grandfather clocks:

"There's not much competition in that." Daughter Anna runs venture capital firm Wakefield Group.

Harold Clark Simmons

\$1.7 BILLION

Investments. Dallas, Tex.

71. Twice divorced, remarried;

4 daughters, 2 stepchildren

Bank examiner got taste for takeovers after buying Dallas drugstore in 1961 for \$5,000; sold chain to Eckerd Corp. for \$50 million in 1973. Built holding company Valhi through hostile takeovers. Schoolteachers' son denied allegations this year that he was conspiring with ousted founders to take control of Hollywood Casino.

Aptly named **Sam Wyly** stood up to Computer Associates—and won. *Page 180*





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Red McCombs bleeds purple for his football team. Page 180



Dennis Washington

\$1.7 BILLION

Construction, railroads, mining.
Missoula, Mont.

68. Married, 2 sons

Made fortune saving conglomerate Morrison Knudsen in 1996, but then hit rocky times last year when renamed Washington Group filed Chapter 11. Also owns Canada's largest tug-and-barge company, yachts, British Columbia island with golf course. Donated 64,000-acre ranch in Oregon for underprivileged youth.

Franklin Otis Booth Jr.

\$1.5 BILLION

Berkshire Hathaway. Los Angeles.

79. Divorced, remarried; 6 children

Great-grandson of Times Mirror Co. founder Harrison Gray Otis. Entered col-

lege at 16, stayed for M.B.A., engineering degree. Had good fortune of befriending Charlie Munger (*see*), invested \$1 million in Berkshire Hathaway. Recently married Lynn Hirsch, widow of equestrian Clement Hirsch. Her wedding ring bought from Berkshire-owned Borsheim's.

David Howard Murdock

\$1.3 BILLION

Real estate, finance. Los Angeles.

79. Twice divorced, widowed, remarried; 2 sons

High school dropout made fortune building homes after WWII, lost most of it in real estate crash of 1964. Rebuilt fortune with California real estate, large stake in Dole Foods. Took conglomerate Castle & Cooke private in 2000, added dozens of properties, including Hawaiian island of Lanai. Extensive private holdings range from quarries to nation's largest auto chassis maker.

Dirk Ziff

\$1.2 BILLION

Inheritance. New York City.

38. Married, 2 children

Robert Ziff

\$1.2 BILLION

Inheritance. New York City.

34. Married

Daniel Ziff

\$1.2 BILLION

Inheritance. New York City.

30. Engaged

Sons of William Ziff Jr., who built Ziff-Davis Publishing empire (*PC, Car & Driver, Boating*). Dad sold company for \$2.1 billion 1994, retired to Florida. Brothers invest proceeds via Ziff Brothers Investments. Strategy: hire money managers like Edward Lampert (*see*), Daniel Och to run various funds, invest in corporate debt, tech stocks, private companies, including Dream-Works SKG.



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JOE
FAMILY FOUNDATION
TORRE

 **RadioShack**

George Lindemann & family

\$1.2 BILLION

Media, natural gas. Palm Beach, Fla.

66. Married, 3 children

Wharton grad sold patent on soft contact lenses for \$60 million in 1971. Started Vision Cable, sold for \$220 million 1982. Later formed Metro Mobile cell service, sold to Bell Atlantic for \$2.6 billion in 1992. Current chief of natural gas company Southern Union also owns 19 Spanish-language radio stations. Tools around on *Adela*, his 185-foot, two-masted schooner.

Billy Joe McCombs

\$1.1 BILLION

Cars, radio. San Antonio.

74. Married, 3 children

"Red" dropped out of law school to sell cars. Owned first dealership at 25, expanded to 50, now down to 8. Fortune tied up in Clear Channel Communications, radio outfit started in 1972 with Lowry Mays (*see*). Now focuses with daughter Marsha on Minnesota Vikings, which he is shopping around.

Kirk Kerkorian is facing tough times on and off the silver screen. *Page 174*



Malcolm Chace III & family

\$1 BILLION

Berkshire Hathaway. Providence, R.I.

67. Married, 3 children

Chace family founded textile mill Berkshire in 1806 in Providence, R.I.; merged with Hathaway in 1955. Warren Buffett started buying shares in Berkshire Hathaway in 1962, took over company in 1965. Family still believed to own some 13,000 Berkshire shares, big stake in Bank Rhode Island.

Samuel Wyly

\$1 BILLION

Investments. Dallas, Tex.

67. Twice divorced, remarried; 6 children

Sold Sterling Software to Computer Associates two years ago for \$4 billion, holds minor CA stake. In June launched proxy battle against CA to oust Chairman Charles Wang, four board members. No wonder: his CA warrants, valued at \$55 million a year ago down 75%. But Sam still got paid \$10 million to drop complaints and renew his noncompete clause for five years.

Arthur Rock

\$925 MILLION

Venture capital. San Francisco.

76. Married

VC pioneer backed Intel in 1968; \$2.5 million stake once worth billions. Now acts as adviser to tech fledglings. President of San Francisco nonprofit that gives scholarships to inner-city kids. "This country's going to have a revolution if something doesn't happen to the haves and have-nots."

Jesse Mack Robinson

\$850 MILLION

Banking, insurance. Atlanta.

79. Married, 2 children

Onetime used car salesman built chain of auto loan companies. Financed Yves Saint Laurent 1960s; later bought,

By the Numbers

The average net worth of The Forbes 400 is **\$2.2 billion.**



opened 22 banks. Ended up with large stake in Wachovia, banks, insurance, media, lumber companies. Still logs 50-hour weeks but tries to avoid the spotlight: "If I knew you was with FORBES, I wouldn't have taken the call, 'cause I don't like publicity."

Malcolm Glazer

\$750 MILLION

Conglomerate. Palm Beach, Fla.

74. Married, 6 children

Owner of pro football's Tampa Bay Buccaneers hired a new head coach, but he's unloading things at holding company Zapata. Remaining business: Omega Protein, a fish oil producer. Resigned a chairman this year, but still owns 47% of company.

Kenneth Langone

\$750 MILLION

Investments. Long Island, N.Y.

67. Married, 3 children

Made name taking Ross Perot's Electroni

WHY DIDN'T I KNOW ANYONE IN THE ELEVATOR?

WHAT BUSINESS ARE WE IN, ANYWAY?

IF WE OUTSOURCED MORE THINGS, WE COULD BE MORE FOCUSED. I'M ALL ABOUT FOCUS.

UNDER HOW MUCH PRODUCTION MY CABIN IS. I WANT A STATION THAT PLAYS MORE TALK LESS ROCK.

WHY DIDN'T THE LAST GUY DECIDE TO OUTSOURCE?

WEED A NEW PHOTO FOR THE ANNUAL REPORT

WE'VE COME A LONG WAY IN THE MONTH.

STILL I CAN'T BELIEVE I WAS NOMINATED FOR CEO OF THE YEAR.

REMEMBER THE RECEPTIONAL PARTY AGAIN?

SHOULD I HAVE BEEN A COMMELIER?

IF WE PUT A MAN ON THE MOON, SURELY HE CAN OUTSOURCE.

IF WE CAN'T PUT A MAN ON THE MOON, SURELY HE CAN OUTSOURCE.

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IF WE CAN'T PUT A MAN ON THE MOON, SURELY HE CAN OUTSOURCE.

FORGOT TO CALL MOM AGAIN.

HOW ABOUT THIS FOR A DEPARTMENT SLOGAN: I.T. IS "IT" THAT'S CLEVER.

ARE WE DONE YET? I'M GOING SPELLUNKING

WHAT DID THIS COMPANY EVER DO BEFORE THE I.T. DEPARTMENT?

ONLY 5,611 EXPENSE REPORTS MUST DO EXPENSE REPORTS.

ON BEHALF OF EVERYONE IN I.T., I'D LIKE TO KISS THE PERSON WHO SUGGESTED OUTSOURCING OUR HR STUFF.

NO BIKE RACKS IN THE LOBBY - WHY ARE WE NOT TALKING ABOUT THAT?

3 MORE MINUTES, AND THE HUMMEL SERIES ON THAT INTERNET AUCTION IS MINE.

I SHOULD HAVE BEEN A WARLORD MAN. THESE SHOES ARE COMFY.

TIME TO NOD AND LOOK PENSIVE.

SHOULD I RENEW MY SEASON TICKETS?

NO. SMOKING IN THE BUILDING. HOW COME IT TAKES OF CIGARS?

COULD I KEEP STEVE FROM LEAVING AS WELL?

THOSE GARDENING AWARDS WERE TOTALLY RIGGED.

IS FLAG DAY A BUSINESS HOLIDAY?

MAYBE THE INTERNS CAN GET US SOME LUNCH.

HOW WILL SOMEONE ELSE FIGURE THIS PLACE OUT? WE CAN'T EVEN FIGURE THIS PLACE OUT?

I WILL TAKE A VACATION THIS YEAR. I WILL TAKE A VACATION THIS YEAR.

IT'S BEEN A WHILE SINCE ANYONE HAS COME OUT WITH A NEW CANDY BAR. I WONDER WHAT'S WRONG.

I'VE NEVER OUTSOURCED BEFORE. BUT THEN, I'D NEVER KARAOKEED BEFORE AND NOW, I ROCK.

I NEED TO TALK WITH GREG ABOUT HIS FUTURE HERE. MAYBE TOMORROW.

I HOPE THESE PEOPLE ARE AROUND WHEN IT'S TIME TO IMPLEMENT THINGS.

I WAS THE ONE WHO SUGGESTED OUTSOURCING, NOT TED. WHY DON'T PEOPLE REMEMBER THAT?

I FORGOT TO TELL THE DRY CLEANERS "LIGHT STARCH."

IT'S ADDING ONE AND NO ONE SAYS NO. NO ONE LOOKS GREAT.

I DON'T WANT TO KNOW WHAT PART OF 12345678 WHAT'S AN 8-LETTER WORD FOR "ALOT"?

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Data Systems public for 118 times earnings in 1968. Made most of fortune providing seed money for Home Depot. "Bernard Baruch said, 'I got rich by selling too soon.' I got rich by never selling." Modest Long Island native is a generous donor: \$100 million to New York University's Stern business school, his alma mater.

Norman Hascoe

\$740 MILLION

Investments. Greenwich, Conn.

72. Married, 3 children

Engineer with 100 patents started semiconductor materials business. Sold, bought back business; sold again to AlliedSignal in 1983 for \$100 million in cash and stock. Sons Lloyd and Andrew oversee family's investment, real estate portfolio.

Carl Lindner

\$675 MILLION

Insurance, investments. Cincinnati.

83. Married, 3 sons

High school dropout joined family-owned ice cream storefront, consolidated into 200-plus chain United Dairy Farmers currently run by brother Robert. Acquired S&Ls beginning 1959; diversified into insurance 1971, bananas via Chiquita Brands International. Today American Financial Group has \$17 billion in corporate assets. Big political contributor to both parties.



L. John Doerr

\$550 MILLION

Venture capital. Menlo Park, Calif.

51. Married, 2 children

St. Louis native remains one of Silicon Valley's best-known VCs but keeps a lower profile lately. Earned engineering degree from Rice University, M.B.A. from Harvard; holds patents on memory devices designed for Monsanto. Former Intel salesman joined Kleiner Perkins in 1980. Funded Sun Microsystems in 1982, where he met Sun founder (now Kleiner partner) Vinod Khosla (*see*). Other fortuitous deals: Compaq, Netscape, Amazon.com, Intuit. Democratic Party torchbearer lobbied successfully against stock option restrictions.

Ron Perelman walked away with \$2 billion selling Golden West. *Page 174*

Vinod Khosla

\$550 MILLION

Sun Microsystems, venture capital.

Menlo Park, Calif.

47. Married, 4 children

Born into military family in New Delhi; studied electrical engineering, earned master's degree in biomedical engineering from Carnegie Mellon, M.B.A. from Stanford, where he met Andy Bechtolsheim. Pair founded Sun Microsystems in 1982. Reportedly forced out as CEO in 1984, joined venture shop Kleiner Perkins. Became telecom guru, investing in Juniper Networks, Cerent. Now on hot seat as a director of troubled Qwest Communications.

Gary Winnick

\$550 MILLION

Global Crossing. Los Angeles.

54. Married, 3 children

Former Drexel salesman celebrated on the cover of FORBES after parlaying \$15 million investment in Global Crossing into \$4.5 billion fortune, now pilloried for selling more than \$600 million in stock before company went bankrupt in January. Investing proceeds, much via private firm Pacific Capital Group, but SEC investigating Global's accounting of "swap" transactions. Agreed to sell in August to Asian conglomerates for \$250 million; still chairs company board.

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America, nothing enhances your moments of reflection
the smooth, timeless taste of a Macanudo. That's what
pires the passion that makes Macanudo America's
st-selling premium cigar.

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Rags & Riches

Hemlines and markets may go up and down, but these trendsetters have proved their fortunes are more than a fad.

Philip H. Knight

\$4.4 BILLION

Nike. Beaverton, Ore.

64. Married, 2 sons

Entrenched in pro basketball, college sports, Sultan of Swoosh now pushes into golf and soccer. Introduced industry's first \$200 sneaker, but firm still suffers from sluggish economy: largest customer Foot Locker reduced fall orders, sending total U.S. footwear orders down 2.3%. Next hurdle may be in the U.S. Supreme Court: Nike is appealing a California court ruling that said an activist could sue the company for allegedly misleading the public in p.r. missives defending its labor practices.

Leonard Lauder

\$2.6 BILLION

Cosmetics. New York City.

69. Married, 2 sons

Ronald Lauder

\$2.2 BILLION

Cosmetics. New York City

58. Married, 2 daughters

Sons of cosmetics doyenne Estée Lauder, who founded small makeup company in

1946. Today Estée Lauder Co. controls nearly half the premium cosmetics market in U.S. with brands like Clinique, Aveda, Origins. Sales: \$4.6 billion. Leonard chairs company; Ronald invests abroad, with mixed results.

Leslie Wexner

\$2.5 BILLION

Limited Brands. New Albany, Ohio.

65. Married, 4 children

Ohio State law school dropout opened first Limited outlet in 1963 with \$5,000 loan. Today 4,600 stores sell lingerie (Victoria's Secret), soap (Bath & Body Works), dresses (Express), men's clothes (Structure). Latest concept: cosmetics store jointly owned with Japan's Shiseido. Art enthusiast recently purchased \$15 million, 102-acre lot abutting Aspen, Colo. home.

Ralph Lauren

\$2 BILLION

Fashion. New York City.

63. Married, 3 children

Bronx-bred designer clerked for Brooks Brothers, designed neckwear for Beau Brummel before launching Polo in 1967 with \$50,000. Clever marketer turned men's

clothing line into brand behemoth with women's and children's lines, fragrances, linens, house paints, accessories. Still expanding: spent \$230 million buying back European licensing rights; considering renting Polo name to high-end resort chains. "You walk on a tightrope, gambling on everything you do."

Richard T. Farmer

\$1.6 BILLION

Cintas Corp. Cincinnati.

67. Married, 3 children

From rags come riches. Grandfather started industrial rag-cleaning business 1929. Richard joined 1957, started own company 1968; later acquired grandfather's business, fashioned Cintas into nation's largest uniform business. Thirty-three years of uninterrupted earnings growth ever since. Big Republican donor, but business comes first. "There's not a lot about me because my life is Cintas."

Donald Fisher

\$1.3 BILLION

Gap. San Francisco.

74. Married, 3 children



first-time member
Timothy Boyle
scales new
heights. Page 186

Doris Fisher

\$1.3 BILLION

Gap. San Francisco.

71. Married, 3 children

Husband and wife founded Gap khaki empire 1969. Took public 1976, then added Banana Republic 1983, GapKids 1986, BabyGap 1990, Old Navy 1994, GapBody 1998. Massive growth until past two years; Gap stock down 75% since 2000. Longtime President Mickey Drexler announced retirement in May. Current target of environmentalists who accuse the family of running sweatshops, logging redwoods.

James Jannard

\$1.2 BILLION

Oakley. San Juan Islands, Wash.

53. Divorced, remarried; 7 children

Started out making motorcycle grips, goggles; later, sunglasses. Shunned advertising, relied on high-profile athletes who wore his trendy Oakley shades free of charge. Diversified into shoes, apparel, watches. Last year bought sunglasses chain Iacon, 43 outlets nationwide.

Gary Comer

\$1 BILLION

Lands' End. Chicago.

74. Married, 2 children

Prince of prep got nearly \$1 billion selling Lands' End to Sears. Former Young & Rubicam copywriter founded sailing-products catalog in 1963. Dropped sailing items, went into one-stop catalog shopping for preppies: clothing, shoes, luggage. Went public in 1986. Comer now focuses on philanthropy: U. of Chicago children's hospital; computers and air conditioners for Chicago schools.

Sidney Kimmel

\$750 MILLION

Jones Apparel. Palm Beach, Fla.

73. Married

Son of Philadelphia cab driver turned private-label deal with W.R. Grace into Jones Apparel. Took it public in 1991. Remains chairman, but steadily selling

shares. Much of the proceeds is earmarked for philanthropy: has given \$420 million, including \$30 million for new performing arts center to house Philadelphia Orchestra.

Timothy Boyle

\$600 MILLION

Columbia Sportswear. Portland, Ore.

53. Married, 2 children

NEW German-immigrant grandfather started hat company in 1938. Father took over in 1964 and ran until death in 1970. Tim left U. of Oregon to run business with mother, Gert, who, at 78, serves as Columbia's chairman and unlikely poster child. Year 2001 sales: \$780 million. Acquired Sorel footwear 2000, partnered with L'Amey Group, Excelled

Leather, Fossil. Boyle is an outdoorsman of sorts: "I'm not a very good shot, I'm a poor golfer and I don't catch very many fish. But I like to do that stuff."

Sydell Miller

\$550 MILLION

Beauty products. Cleveland; Palm Beach, Fla.

64. Widowed, 2 children

Launched eyelash-products firm in 1971 with hairdresser husband Arnold (d. 1992); sold for \$3 million 1984. Then Matrix Essentials: beauty products sold in salons. Sold to Bristol-Myers Squibb in 1994 for stock; still thought to hold some 20 million shares. Active philanthropist gave \$10 million to Case Western Reserve U. for new Center for Entrepreneurship.

Ralph Lauren contemplates lending his name to a resort chain. *Page 184*





He drew the sword from the stone and became king.
And trusted a visionary's guidance to unite his kingdom.

Retaining faithful customers requires no wizardry.
Choose a partner whose counsel delivers insights into loyalty.

What makes a great relationship?

From warrior king to peaceful sovereign, he inspired loyalty throughout a violently divided land.

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Recognize valuable customers. Anticipate needs, make relevant offers, improve service. Grow your most valuable assets — relationships. And raise your profits to a new standard.

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Retirement Planning

More Than Just Saving And Investing

Mention "retirement planning" and most people think about their 401(k)s, IRAs or mutual funds. Keep saving, invest those savings wisely, get to age 65 and voila! You're set for retirement.

Maybe. But what if things don't work out exactly the way you planned? "What if you die prematurely or become disabled? What will happen to those people in your life, especially your spouse, who may be depending on your retirement savings to help support them well into old age?" says Allan Hancock, CLU, ChFC, AEP, chief executive officer of the Hancock Group in Altoona, Pa. "A retirement plan without insurance is just a savings and investment program that dies or becomes disabled when you do."

Below are four ways insurance can help you meet important retirement planning objectives:

Prevent Your Retirement Plans From Dying When You Do

If you die before retirement, your survivors would miss out on both your salary for living expenses and the money you were setting aside for the future. "People who die prematurely haven't had as much time to put together an investment program that can really pay off," Hancock says. "If you have sufficient life insurance, it can help pay your family's expenses and may still be there for your spouse's retirement."



Protect Your Ability To Save For Retirement

If you become too sick or injured to work, disability income insurance can help you meet daily living expenses — and more. "In addition to helping you stay self-reliant, disability income insurance can allow you to keep making regular deposits into your retirement savings account," says Hancock.

Supplement Your Retirement Income

Suppose your circumstances change and you no longer have anyone who would need the proceeds of a death benefit. With a permanent life insurance contract, you have flexibility to surrender the policy and supplement retirement income with the funds that have accumulated in the policy's cash value account.

Preserve Your Estate Assets For Your Survivors

If you've accumulated a large estate, life insurance can help foot the estate tax bill from Uncle Sam, preserve assets for your heirs. Or, if your estate is more modest, insurance can provide a legacy for your children or grandchildren even if you use up most of your assets during your retirement years.



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LIFE INSURANCE ISN'T FOR THE PEOPLE WHO DIE. IT'S FOR THE PEOPLE WHO LIVE.

Reymore Chevrolet dealership had
been run by three generations of the
House family. Brian House was just 28
when his father's sudden death from a
heart attack left him in charge of the
company.

Brian, his sister Cheryl and his mom
were grief stricken. Brian's dad
understood that life insurance would
help take care of his family and the car
dealership in the event of his death. Life
insurance was there to provide for his
family's financial future and ensured a
smooth transition as Brian assumed the
day-to-day running of the business.
Today, Reymore Chevrolet is thriving.
Brian is vice president, his sister is top
salesperson and their mom works in the
dealership as president.

Brian's story proves the value and importance
of life insurance. So talk to a life
insurance agent or other financial advisor
to find out about creating a plan that
takes care of the people you love and the
things you care about. *Because, without
insurance, a financial plan is just a savings
and investment program that dies with you.*

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Brian House

Networkers

These entrepreneurs wired the world with satellites, cell phones and fiber. Though the lines may have gone dead for telecom investors in the last year, these few still get good reception.

Philip F. Anschutz

\$4.3 BILLION

Qwest Communications. Denver.

62. Married, 3 children

Oil and gas greased the tracks to railroad riches; rail led to a fortune in fiber optics. But with fiber out of favor and Qwest's accounting under suspicion, his 18% stake is down \$6.5 billion. New focus: movie houses. Spent an estimated \$825 million cobbling together a string of troubled theaters. Took Regal Entertainment public 2002; stake in 5,800-screen exhibitor now worth \$1.3 billion. Secretive tycoon avoids media but loves entertainment: owns pro hockey's LA Kings, one-third of basketball's LA Lakers, half of Major League Soccer.

Craig O. McCaw

\$2.3 BILLION

Telecom. Seattle.

53. Married, 3 children

John Elroy McCaw Jr.

\$1.1 BILLION

Telecom. Seattle.

51. Married, 4 children

Keith McCaw

\$970 MILLION

Telecom. Seattle.

48. Married, 2 children

Bruce McCaw

\$940 MILLION

Telecom. Seattle.

55. Married, 2 children

Sons of John Elroy McCaw, early investor in cable TV. Second-oldest Craig took over cash-strapped company after father's death in 1969; sold cable, reinvested in cellular phone networks. Sold McCaw Cellular to AT&T for \$11.5 billion in 1993. Brothers dabble in business independently: Bruce founded race car company PacWest; Keith invests in ski resorts; John bought pro hockey's Vancouver Canucks. Craig stayed in telecom, rescued wireless carrier Nextel and founded broadband provider XO Communications. Also funds satellite communications venture Teledesic, but telecom crash making it hard to get business off ground. Finds solace on the high seas: with Paul Allen (*see*), financed OneWorld Challenge, yacht syndicate competing in the America's Cup (*see story*, p. 296).

Walter Scott Jr.

\$1 BILLION

Construction, telecom. Omaha.

71. Widowed, remarried; 6 children

Joined father at Omaha construction outfit Peter Kiewit Sons' after earning civil engineering degree from Colorado State. Named chief executive in 1979. Invested excess capital in fiber-optic networks, geothermal power plants;

branched off as MFS Communications in 1992 with Donald Sturm (*see*), sold for \$15.4 billion in WorldCom stock in 1996. Former WorldCom board member, no longer a shareholder; sold most of WorldCom stock over the past few years.

Kenny A. Troutt

\$1 BILLION

Excel Communications. Dallas.

54. Divorced, remarried; 3 children

Raised in Illinois housing project, worked the racehorse circuit in Omaha before starting Excel Communications, telemarketer of long-distance service. Took it public in 1996, sold to TeleGlobe in 1998 (acquired first privately by Canada's BCE in 2000). Returned to horses. With fellow Excel centimillionaire William Casner, owns Our Emblem, sire of this year's Kentucky Derby and Preakness Stakes winner, War Emblem.

Mary Anselmo

\$900 MILLION

PanAmSat. Greenwich, Conn.

73. Widowed, 3 children

Husband Reynold (Rene), Boston native and WWII Marine, moved to Mexico, then returned to U.S. to help run Spanish-language television network Televisa; later cofounded PanAmSat, nation's first privately owned satellite communications outfit. Rene died two days before 1995 IPO, at age 69. Mary still holds 7% stake.

A man with glasses and a dark shirt is smiling and holding a long wooden stick. He is standing in a dimly lit stable with several horses visible in the background. The lighting is dramatic, with strong highlights and deep shadows.

enny Troutt is racking up
stable of premier racehorses

Irwin M. Jacobs

\$725 MILLION

Qualcomm. San Diego.

68. Married, 4 children

Computer science and engineering professor at UC San Diego started Qualcomm 1985. Patented code division multiple access (CDMA) technology catalyzed rapid sales growth; irrational exuberance drove

stock to ridiculous highs. Recently pledged \$120 million to San Diego Symphony—most of it stretched out over 10 years.

Robert W. Galvin

\$675 MILLION

Motorola. Schaumburg, Ill.

80. Married, 4 children

Joined father's radio equipment firm

Motorola (then called Galvin Manufacturing) in 1940 as a stockroom worker; became president in 1956. Transformed company into world's third-largest chip-maker, major manufacturer of cell phones. Quit the board last year; son Christopher is now in charge. With wife Mary, founding patron of the Stradivari Society, which buys precious violins and lends them to budding virtuosos.

Two sides to every fortune: **Irwin Jacobs** is as devoted to the success of Qualcomm as he is to the San Diego Symphony.



BRING ON THE PULSING ZOMBIES.

They attack in small bursts, these paralyzing bugs, from multiple sources against a single target. And before you know it, they've devastated an entire computer network. From critical information protection to systems management, Northrop Grumman is prepared for the prospect of cyber warfare. In battle, information is a resource, as well as a prized target. Northrop Grumman delivers proven technologies to virtually every U.S. Defense and Federal agency worldwide, including NATO command centers. Our expertise extends to the protection of critical infrastructure, enterprises and mission-specific systems—virtually every domain required to transform information into victory.

Rack Jobs

There's never been a better time to peddle cheap goods: Merchant fortunes derived from discount chains have thrived, while specialty retailers have been left holding the bag.

Ann Walton Kroenke

\$3 BILLION

Wal-Mart. Columbia, Mo.

52. Married, 2 children

E. Stanley Kroenke

\$1.4 BILLION

Real estate. Columbia, Mo.

55. Married, 2 children

Husband and wife. Ann: niece of Wal-Mart founder Sam Walton. With sister Nancy Laurie (*see*) inherited Wal-Mart shares after father's death in 1995. Stan: real estate developer (including shopping centers anchored by Wal-Mart stores), owns 560,000 acres of ranch land. Also big stake in pro football's St. Louis Rams, basketball's Denver Nuggets, hockey's Colorado Avalanche.

Nancy Laurie

\$2.6 BILLION

Inheritance. Columbia, Mo.

51. Married, 1 child

Daughter of James (Bud) Walton, brother of Wal-Mart founder Sam Walton. With

sister Ann Kroenke (*see*), inherited Wal-Mart shares. With husband Bill, owns pro hockey's St. Louis Blues, breeds horses on 350-acre Crown Center Farms.

John Menard Jr.

\$2.5 BILLION

Home improvement stores. Eau Claire, Wis.

62. Twice divorced, 6 children

Eldest of 8 children built barns to pay for college. Opened first hardware store 1972. Today owns more than 160 Menard's hardware stores throughout the Midwest. Estimated sales: \$5 billion.

Bernard Marcus

\$1.8 BILLION

Home Depot. Atlanta.

73. Married, 3 children

Arthur Blank

\$960 MILLION

Home Depot. Atlanta.

60. Divorced, remarried; 6 children

Partners formed Home Depot 1978 after getting the boot from a now-defunct chain. Hardware category-killer went public in 1981, now has 1,400 stores with \$55 billion

in sales. Newark, N.J. native Marcus retired from board in May, remains largest individual shareholder. Active in Atlanta philanthropy; funding \$200 million city aquarium. Queens, N.Y.-bred Blank stepped down as cochairman last May, now keeps busy with NFL's Atlanta Falcons, purchased for \$545 million last winter.

William Kellogg

\$1.4 BILLION

Kohl's. Oconomowoc, Wis.

59. Married, 2 children

John Herma

\$850 MILLION

Kohl's. Elm Grove, Wis.

54. Married, 2 children

Jay Baker

\$680 MILLION

Kohl's. Naples, Fla.

68. Married, 2 children

NEW These partners took over Kohl's department store chain in 1986 management buyout. Kellogg rose

There's no sitting down on the job for Home Depot's **Bernard Marcus**.



from store manager to CEO, oversaw expansion of family outfit into national chain with 420 branches in 32 states. Sales: \$7.5 billion. Herma served as chief operating officer; Wharton grad Baker, president. All retired, but still major holders.

Richard Schulze

\$1.3 BILLION

Best Buy. Edina, Minn.

61. Married, 4 children

Best Buy founder stepped down as chief executive in June after turning single Minnesota music store into nation's biggest consumer electronics chain and music retailer: 515 Best Buy stores and over 1,300 music outlets, including Suncoast and Sam Goody. Enrages rivals by landing exclusive marketing ties to bands like U2, Limp Bizkit.

Robert McLane

\$1.1 BILLION

Wal-Mart. Temple, Tex.

66. Married, 2 sons

Joined family wholesale grocery business 1959 after earning M.B.A. at Michigan State. Took over in 1965, added distribution centers across the U.S., overseas. Sold to tennis partner Sam Walton for cash and Wal-Mart shares 1990. Owner of pro baseball's Houston Astros also presides over privately owned McLane Group: food manufacturer, warehouse, distributor, other holdings.

Leon Levine & family

\$800 MILLION

Family Dollar Stores. Charlotte, N.C.

65. Married, 3 children

Got start in retail at age 13 helping mother

By the Numbers

There are **46**
women on
The Forbes 400.



run department store after father's death. Used \$6,000 loan 1959 to start Family Dollar: small stores stocked with items priced below \$20. Mid-1990s sales slump forced company to slash prices, but it has thrived ever since. Now has 4,600 stores in 41 states. Sales: \$3.7 billion. Son, Howard, runs day-to-day business.

Margaret Hardy Magerko

\$800 MILLION

84 Lumber. Eighty Four, Pa.

36. Married, 1 son

Maggie learned lumberyard business at the knee of father, Joseph Hardy Sr., who founded 84 Lumber in 1956. Took reins in 1993; almost doubled sales to \$1.8 billion by 1999, largely by serving professional contractors, now 75% of revenues. Also runs family-owned Nemaconlin Woodlands, lavish resort in Pennsylvania highlands.

David Gold

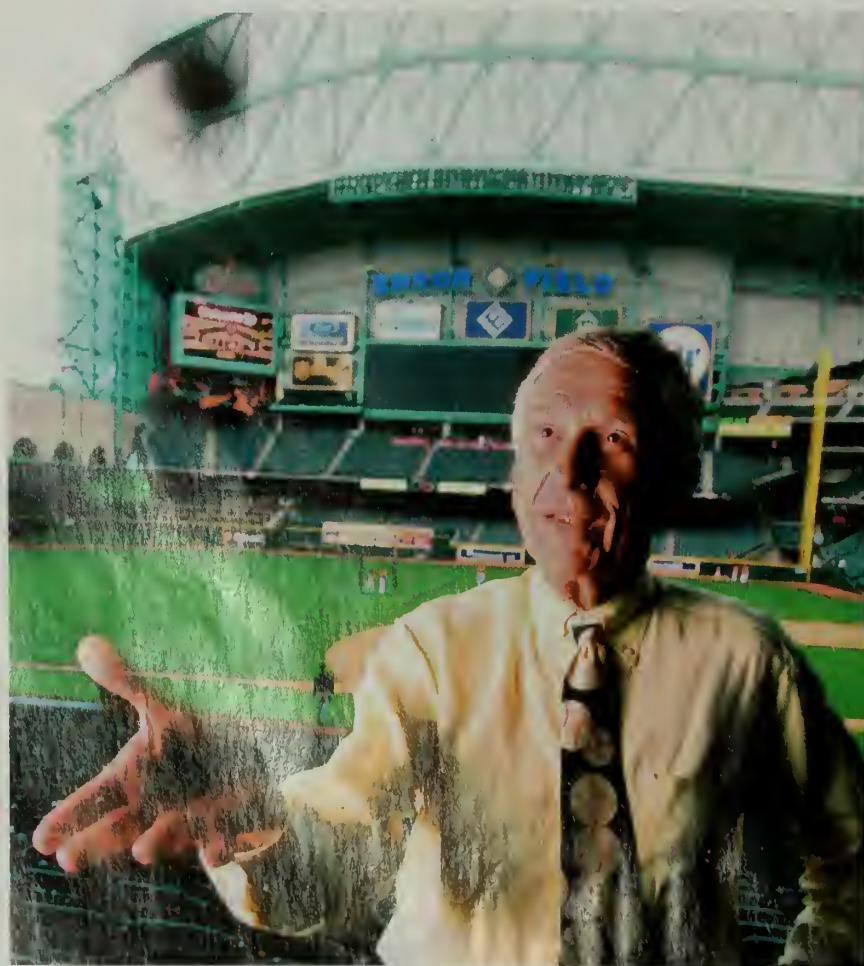
\$650 MILLION

99 Cents Only Stores. Los Angeles.

70. Married, 3 children

NEW

Rekindled five-and-dime retailing concept, adjusted for inflation via his 99 Cents Only chain (see story, p. 68.)



Robert McLane will need to find a new name for his baseball stadium.

FOR 400 YEARS, EVERY LEAF AND STONE HAS TOLD A STORY.
THE OTANI GARDEN. GINZA LINE TO AKASAKA.
SQ FROM LOS ANGELES TO TOKYO. DAILY.

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CAGO
VEGAS
ANGELES
VARK
W YORK
N FRANCISCO
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0 MILEAGE PLUS™ MEMBERS HAVE ACTUAL FLIGHT MILES EARNED ON SINGAPORE AIRLINES QUALIFY TOWARDS PREMIER STATUS. WWW.SINGAPOREAIR.COM/USA

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Wildcatters

Many of these fortunes derive from businesses that greased the economy long before Enron ran aground. They will continue to do so long after that debacle is forgotten.

Marvin Davis

\$4.6 BILLION

Oil, real estate. Beverly Hills, Calif.

77. Married, 5 children

Lack of terrorism insurance nixed his plans to buy Manhattan property this year, but he did manage to buy, sell Chicago skyscraper for \$10 million profit. Money not an issue: claims new oil and gas discoveries in Texas and Colorado doubled reserves. Best known as dealmaker who bought, sold Twentieth Century Fox, Beverly Hills Hotel. Fourth bid to own an airline grounded by US Airways' rejection earlier this year.

Charles Koch

\$4 BILLION

Oil. Wichita, Kans.

66. Married, 2 children

David Koch

\$4 BILLION

Oil. New York City.

62. Married, 2 children

Sons of Koch Industries founder Fred Koch. Inherited holdings after father's death, today run \$35 billion (sales) business: oil services, pipelines, refineries, asphalt, chemicals, ranches. Last year buried the hatchet with litigious brother Bill (*see*), who claimed he was shortchanged in his inheritance. Koch Industries' \$1 billion deal

with Entergy filling energy-trading void left by Enron.

George Kaiser

\$2.6 BILLION

Oil & gas, banking, real estate. Tulsa.

60. Widower, 3 children

Raised in Oklahoma, took over family's Kaiser-Francis Oil in 1969. Moved into banking via BOK Financial (\$11 billion in assets), but oil and gas exploration still the main engine. Bullish on natural gas, expects prices to peak year-end 2004. Other investments include retirement homes, venture capital, private equity investments. Plans to leave bulk of estate to charity.

Robert Muse Bass

\$2.5 BILLION

Oil, investments. Fort Worth, Tex.

54. Married, 2 children

Third son of Fort Worth oilman Perry Bass showed shrewd timing this year, selling stakes in Mesa Royalty Trusts, San Juan Basin at peak prices. Reinvested some of the proceeds in Florida East Coast Industries. Other investments: Lone Star Technologies, Washington Mutual, Meristar Hotel and Resorts. Yale grad devotes time to historic preservation; joined with brothers (*see*) for renovation of downtown Fort Worth.

David Rockefeller Sr.

\$2.5 BILLION

Inheritance. New York City.

87. Widower, 6 children

Laurance Rockefeller

\$1.5 BILLION

Inheritance. New York City.

92. Widower, 4 children

Winthrop Rockefeller

\$1.2 BILLION

Inheritance. Morrilton, Ark.

54. Divorced, remarried; 8 children

Heirs of John D. Rockefeller, grain merchant who turned \$4,000 investment into Standard Oil. Cornered oil market until broken up 1911 in groundbreaking antitrust case. Son John Jr. moved money into real estate, built Rockefeller Center. David headed Chase Bank, founded the Trilateral Commission. Took flak this year for taking \$500,000 in federal subsidies for upstate New York soybean farm. Laurance active environmentalist who buys, donates

Blowing smoke. **Marc Rich** takes after his patron. President Clinton. Page 21.



Wachovia Securities

NAVIGATING A BEAR MARKET



Mickey Misera would be the first to admit that the past few years were not the ideal time to build a securities firm.

Lured out of early retirement in January 2000, Misera led a group of former BT Alex. Brown colleagues that created the nucleus of Wachovia Securities — a firm formed near the height of the bull market and forged during the tragic confluence of events that rocked Wall Street and the nation.

"The terror attacks were an unspeakable tragedy," Misera says. "But the market correction and the recession actually presented us with an opportunity to build a new brand and a track record for raising capital, while we put together a cohesive equity capital markets team and an integrated strategy as part of Wachovia's Corporate and Investment Bank."

Misera's story is one of uncommon wisdom, guiding the formation of Wachovia Securities in the face of arguably the most turbulent period to hit Wall Street since the Depression.

While Wall Street fortunes have slumped over the past two years, Wachovia Securities' equity capital markets group has quietly claimed a spot among the leading firms in equity underwriting, making a strong move in the league tables over the past year.

As rival firms pared expenses and laid off seasoned bankers, analysts and traders, the Baltimore-based operation

has continued hiring talented people to bolster its underwriting, research, and sales and trading operations. That commitment extends to its clients.

"During turbulent times like these, clients are being all but jettisoned by some capital markets firms. I believe that presents a unique opportunity for us to serve those clients," Misera says.

Close to a bottom

Looking ahead, equity investors need to adjust their expectations of what constitutes a reasonable return, Misera notes. The days of double-digit gains and speculative day trading are gone, replaced by more traditional expectations of 7% to 8% annual returns for long-term investors.

With the Federal Reserve holding down interest rates to stimulate a struggling economy, bond returns are at their lowest rates in decades, and investors will once again look to stocks for steady long-term returns and diversified investment opportunities.

"At the end of the day, are people willing to put their money in a money market account at 1%?" Misera asks rhetorically. "The markets have suffered such a significant setback. But most of the excess is probably out of the marketplace, and we're probably close to a bottom."

Corporate America has taken the first

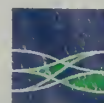
steps to restore faith in the markets. The nation's leading CEOs publicly confirmed their annual results in August, and securities firms are operating under new regulations designed to address potential conflicts of interest.

"Despite the pain, these regulatory changes will be one of the best things to happen to the marketplace," Misera says. "Stocks trading at a premium going forward will be from companies where the CEO is actively managing — and once again taking personal responsibility for — the daily affairs of those companies."

Today, Wachovia Securities is backed by the balance-sheet strength of the nation's fourth-largest bank holding company, with a sister retail brokerage operation that is the fifth-largest in terms of assets. The company is building a reputation for "uncommon wisdom" in its people, its culture and service to its clients.

So, what can a bear market teach us about raising capital?

You can still make progress sailing through a storm. ■



**WACHOVIA
SECURITIES**

Uncommon Wisdom



WHAT CAN
BAGPIPES
TEACH US ABOUT
RAISING CAPITAL?



*Your input is essential
It's as much art as technique
Few people know how to do it well*

At Wachovia Securities, we learn from the world around us — especially from our clients.

It's the way we listen, combined with our experience, that has helped us become a leading provider of customized debt and equity solutions for thousands of growing companies.

Talk to us. And discover the uncommon benefits of looking at the world differently.



**WACHOVIA
SECURITIES**

Uncommon Wisdom



It's unlikely **E. Pierce Marshall** sees the humor in Anna Nicole Smith's new television show.

land to national parks. "Win," son of former Arkansas Governor Winthrop Rockefeller (d. 1973), now running for second full term as lieutenant governor of Arkansas.

Ray Lee Hunt

\$2.3 BILLION

Inheritance, oil, real estate. Dallas.

59. Married, 5 children

Oldest child of the second family of Texas oil magnate H.L. Hunt (d. 1974), inherited most of Hunt Oil Co. with three sisters. Aggressive wildcatter scored big, while half-siblings, led by Bunker Hunt, went bust in silver market. Holds big stakes in Canadian natural gas fields; also deals in Peru, Togo, Yemen, Oman.

Gordon Getty

\$2.1 BILLION

Inheritance. San Francisco.

65. Married, 7 children

Son of oil titan J. Paul Getty (d. 1976) sold Getty Oil to Texaco for \$10 billion in 1986. Now composes operas, makes wine; pillar of San Francisco society, big benefactor of Los Angeles Opera and Philharmonic.

E. Pierce Marshall

\$1.6 BILLION

Inheritance. Dallas.

63. Married, 2 children

Son of late Texas oil baron J. Howard Marshall II still sparring over father's estate with stepmom, erstwhile stripper-cum-reality-TV-star Anna Nicole Smith. She lost in Houston court but won \$90 million in California bankruptcy court; appeals pending. Father founded Great Northern Oil Co. with Fred Koch, later swapped for 16% stake in Koch Industries. Died in 1995, one year after marrying Smith. Son vehemently denies FORBES' valuation of his worth.

George P. Mitchell

\$1.4 BILLION

Oil & gas. Houston.

83. Married, 10 children

Wildcatter sold Mitchell Energy & Development to Devon Energy last year for \$3.5 billion. Now Devon's largest individual shareholder, with 9% stake. Renovating hometown of Galveston, Tex. Former Amoco employee went solo in 1946, struck it rich in northern Texas gas fields.

Robert McNair

\$1.3 BILLION

Energy. Houston.

63. Married, 4 children

Early Enron holder still able to smile after selling Cogen Technologies to the disgraced energy giant in 1998 for \$1.5 billion in cash and stock, the bulk of which he sold before the flameout. Now focused on sports. Landed NFL expansion team Houston Texans for \$700 million, struck record \$300 million stadium naming-rights deal with Reliant Energy. Horseman still owns piece of two energy plants.

Lee Bass

\$1.2 BILLION

Oil, investments. Fort Worth, Tex.

46. Married

Sid Bass

\$950 MILLION

Oil, investments. Fort Worth, Tex.

59. Divorced, remarried; 2 children

Edward Bass

\$700 MILLION

Oil, investments. Fort Worth, Tex.

57. Married, 3 children

Perry Bass

\$650 MILLION

Oil, investments. Fort Worth, Tex.

87. Married, 4 children

Bass family took flak last year for selling Disney shares to meet margin call. With stock dipping below \$15, brothers save a little face. Still smarting after late-1990s bets in technology (Globalstar), biotech (Human Genome Sciences), but stake in Hawthorn Financial returned 1,300% in past year. Father, Perry, built investment empire on oil fortune inherited from uncle Sid Richardson (d. 1951). Handed business to eldest son, Sid, in 1968, prompting brother Robert (*see*) to break out on his own. Other brothers parted ways with longtime money manager Tommy Taylor in 1999, after ill-timed Canadian investments. Bass family still holds large Disney stake; major force in reviving downtown Fort Worth.

By the Numbers

At least 131 members of The Forbes 400 never graduated from college.

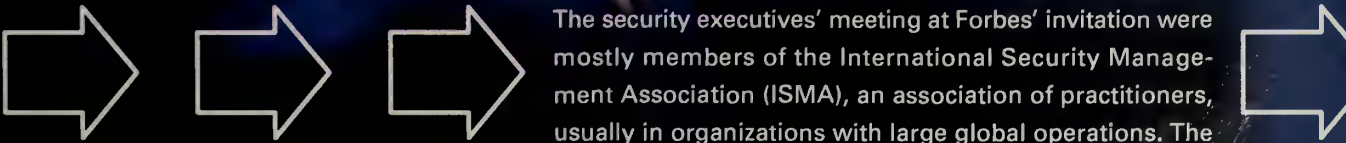


By Robert D. McCrie, John Jay College of Criminal Justice

Where Do We Go From Here?

Top Corporate Security Chiefs Reflect on Today's Risks and Countermeasures

Corporate practices and assumptions about what's supposed to be normal operations have fundamentally been altered. That's a conclusion held by most, if not all, of the senior corporate security directors at a recent closed-door discussion in the Forbes Magazine Galleries. Even considering the tendency of organizations to backtrack over time on intentions to enhance security, the chief security officers (CSOs) foresee an extended period of time when their organizations — indeed the whole of society — will continue to adjust to the risks announced by the terrorist attacks of September 11, 2001.



The security executives' meeting at Forbes' invitation were mostly members of the International Security Management Association (ISMA), an association of practitioners, usually in organizations with large global operations. The participants represented a wide spectrum of economic corporate activity: banking and finance, manufacturing, consumer goods, communications, transportation, retailing and real estate. ISMA members participating also included some of the leading security services and consulting groups. A representative from the State Department attended. The discussion was part analysis, part reflection and part projection. This first-of-a-kind session was organized, chaired and moderated by ISMA President Robert F. Littlejohn, vice president of global security at Avon Products.

The discussion was divided into five topic groups. The findings were then presented to the entire assembly of participants and assessed further.

The issues addressed were:

- Conducting threat assessments and security surveys: Are we better off today than 12 months ago?
- The cost of security: Is it worth the price?
- Working closely with government entities: Are we on the same page?
- Executive protection: What's different now for the traveling VIP?
- The way ahead: What's the status of security in mid-2002?

In addition to the roundtable discussions, a larger number of ISMA members participated in a questionnaire on contemporary issues that concern them. This report also reflects their views.

Threat Assessments and Security Surveys

Many organizations conduct threat assessments and security surveys on a

regular basis. Since 9/11, the importance of conducting a survey to identify threats and reasonably reduce them is more pertinent than ever. Just over 90% of ISMA members responding to an internal survey conclude that threat assessments have become more critical since 9/11. But they are also more problematic. It's one thing to reduce risks from known problems that occur periodically. The issue is entirely different if an unprecedented tactical event from a dedicated but misunderstood enemy occurs.

Such an event exceeds the predictive and response capabilities of private corporations and public law enforcement. The burden to prevent attacks of this nature is a military and intelligence obligation, ISMA members say. Raymond A. Mislock of DuPont notes that following

9/11, many chemical and pharmaceutical businesses developed assessment models related to known hazards and possible scenarios, and then started to build defenses against them. "However, our industry is still reliant on the government," he says, "which should understand how dangerous a situation is and react to it, difficult as that is."

In fact, not surprisingly, just over 95% of security respondents say the corporation's "security posture" was better than it was a year ago. The corresponding table identifies some of those changes. (See chart on page 4.) Nonetheless, a few exceptions exist. One anonymous respondent says, "Budgetary constraints have precluded [security] upgrades."

To businesses that depended on just-in-time air deliveries to coordinate with manufacturing schedules, 9/11 represented a threat to global operations. Within hours of the terrorist attack, the switch to ground shipments was made by some. "We can't control the airlines," remarks a security chief.

Another post-9/11 change was to "restructure the profile." The security director at one global organization evaluated high-risk locations and made some changes. For example, outward signs were removed from some locations; at others, only initials were used to identify the company.

Security: Does It Cost Too Much?

A main goal of managers conceptually is to drive costs down for everything while maintaining or improving quality. Zero cost would be just fine. But most employees, vendors and other workplace components expect to be paid, including allocations generated for security expenditures. Still, it's natural for senior managers to assess if value is being received for the cost incurred, including for protection.

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These attacks may come from new sources in the future. Following the events of September 11, 2001, the specter of state-sponsored IT terrorism cannot be ruled out. Other risks — from rogue competitors to casual hackers — remain as determined adversaries.

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EYE CONTACT.**



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Successful CSOs regard it as an expected task for them to constantly evaluate and communicate what corporate value is derived from security programs. Amounts spent on security have to be viewed in the total context of risk, reasonable safeguards and business costs.

Perhaps 9/11 makes the educational task easier. Yet, costs for protective programs must constantly be assessed and rigorously evaluated in the context of the organization's total budget and objectives. The funding level for respondents to the ISMA survey reflects the willingness of corporations to spend more over the past year than previous years. The vast majority, 71%, says funding increased shortly following the terrorist blow. While 29% of respondents saw no change since 9/11 in security funding, some added that their

How Has Security Changed Post-9/11?

CSOs identified more than 50 changes. Here are some of them:

- Greater awareness of security's importance in the executive suite
- Heightened search for technological means to control risks
- Commitments to Web-based remote systems monitoring
- Increased speed of implementing security upgrade measures planned pre-9/11
- More cooperation with security from employees at all levels
- Wider use of threat assessments than in the past
- Enhanced training and support for access control and mail handling
- Greater attention on a global level to information security
- Expanded employee security awareness programs
- More interest in security measures from customers, insurers and government regulators/inspectors; more frequent visits from regulators/inspectors
- Greater attention to foreign sites where U.S.-type controls are weaker



LG Electronics Inc.

The events of September 11, 2001, have moved security concerns of senior managers "to the front burner," says Peter J. McDermott. That concern is not solely American but global in its impact. McDermott has been involved in international marketing, management and strategic planning for more than 30 years, having lived in Korea and Japan. Just as a problem can migrate from one part of the world to another, so can a solution, in this case from South Korea.

LG Electronics has pioneered an efficient, reliable and user-friendly biometrics security system, LG IrisAccess 3000™. The applications are important for access control in the broadest sense. They are not only powerful sentries for entrances to secured physical locations, but they also can help purchase tickets, authorize transactions via the Internet and serve a host of other uses.

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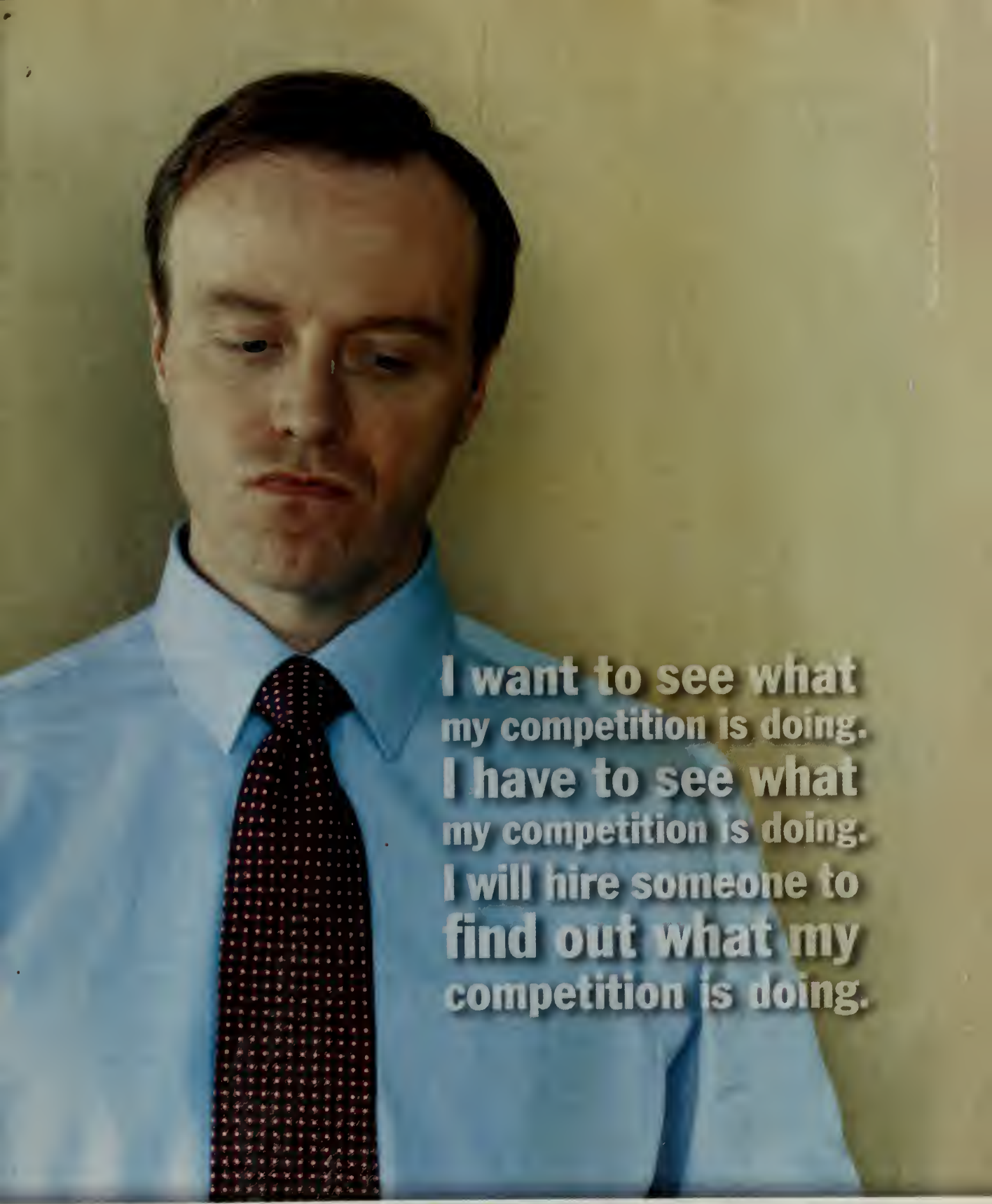
"We are the world leader in developing systems using iris recognition technology," says McDermott. A look at LG IrisAccess 3000™ will show why.

For more information, visit www.LGIris.com.



programs were already well positioned to deal with the stresses and strains of terrorism. One respondent thought increased budget support would be coming later. "More funding would definitely result in a safer working environment," she says. "Upgrades are before the budget committee now."

It is too early to pinpoint just how much more is being allocated for security services since 9/11 and if that level will stick. But those with increased spending levels were directing the funds toward (multiple answers): access control, 81%; increased personnel, 75%; and enhanced protective technology, 74%. Money isn't the problem, says Henry DeGeneste of Prudential Securities. The point is to think strategically about how such funds are used. DeGeneste notes that his department formed focus groups to ascertain employees' thoughts on what would make them feel safer. One point that emerged: Prudential employees wanted assurance that a



**I want to see what
my competition is doing.
I have to see what
my competition is doing.
I will hire someone to
find out what my
competition is doing.**

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high level of background screening (vetting) would occur for consultants and vendors' employees who had access to corporate facilities.

Senior management will pay readily to back up IT systems. "Lose a minute and you lose credibility," says Bill Whitmore of Allied Security. "Distance is the key for backup sites," adds Peter O'Neill of CARCO Group. That is, a reasonable distance should separate the backup facility from the primary data center. Many ISMA members maintain at least two IT platforms separated by considerable distance. Records may be stored in remote, secured locations via

electronic transmission or physical master tape delivery.

Security systems frequently serve the interests of numerous departments. To amortize costs, the CSO is likely to partner with other business units in order to justify a capital expenditure for a system. One participant notes: "With 5,000 client locations and 200,000 employees, it is not necessarily the dollar cost of security that will provide a safer worker environment." Rather, it's the closer coordination between security, HR, legal, communications, supply chain management and business managers that will achieve optimal results.

Some CSOs derive satisfaction from the knowledge that programs previously funded for security paid off from seamless response in the post-9/11 environment. One says: "We had an extensive emergency management operation already in place for various disaster scenarios to ensure personnel safety and business continuity. I foresee a time in the near future when we will reduce the moneys currently spent on security staffing by continuing to spend for access control and physical security measures."

The Public and Private Sectors: Are They Really Working Together?

Who "caused" 9/11? Overwhelmingly, the primary offenders themselves are the guiltiest parties: the terrorists, their organization (al Qaeda) and their supporters. But in the convoluted world of civil litigation in America, it is possible that future court decisions may find other parties being forced to pay some of the financial cost from the many types of losses. Different parties, and for differing degrees of significance, may be judged negligent. The civil litigation already filed makes that possibility clear.

Security chiefs believe that it was not within their capacity to have prevented the terrorist blow of a year ago. (An exception to this view is the observation that airline and airport facility security programs were then weak, a fact exploited by the terrorists.) That's the role of government. Just as the private sector perceives the weaknesses of government efforts before 9/11, faith is strong that, for the most part, government will respond by improving deterrence, detection and intelligence methods, making a repeat of



International Security Management Association

Robert F. Littlejohn
Vice President
Global Security
Avon Products Inc.

ISMA is the world's premier association of senior security executives. ISMA membership is limited to only the most senior-level executives responsible for the security of the world's largest corporations. Membership spans six continents and will expand as new forces emerge in the global economy.

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"The key to our future success against terrorism is all about leadership."

— Robert F. Littlejohn
ISMA President



9/11-type event unthinkable. To justify that faith, security chiefs now believe that government must do more and share relevant intelligence with the private sector as part of the process.

A series of threats unsettled the workplace for months after 9/11. Many CSOs view the threats as posing little risk, yet they had to inform the workplace and implement protective measures. Who dares ignore a warning from the Department of Justice? But just how targeted were they? "We would like to build a trust relationship with government so that we can say, 'This is not a credible threat because it's not based on definitive information,'" says George Campbell, incoming ISMA president who was formerly with Fidelity Investments. Government opts on the side of caution, he says. Homeland Security doesn't seem to know that corporate America exists.

Threats, warnings and dispersed incidents that may or may not affect security have disturbed the workplace. Ted Price of Lehman Brothers, who was formerly with the CIA, says rhetorically: "When will we return to normalcy?" The answer: "This is not normalcy!" Government must be "a very active participant" in working with industry in response to terrorism. For example, if a threat level issued by Homeland Security changes colors, what should industry and the public at large do? Standard guidelines for response should be available. Peter Bergen of the U.S. Department of State adds that industry does not want and cannot use raw data. To work successfully, Homeland Security and other relevant agencies need to trust the private sector in assessing and communicating information in an intelligent and prudent way.

Thomas J. Pickard, Bristol Myers and former acting director of the FBI, opines that industry can help government in specific ways. Some examples are sharing information domestically and internationally, and providing resources in times of emergencies. And government should help industry by providing "specific, credible information to industry without a need to compromise sources and methods."

The ISMA participants seemed united in their desire to support a new level of cooperation between government and industry. The characteristics they want to see: a two-way street, not resources flowing in one direction only; trust between both parties; greater access to relevant information; and consolidated sources of information.

Executive Protection At Home and Abroad

Protection of employees wherever they are is a duty of corporate security, shared with the traveling or foreign-based executives themselves. Since 9/11, security chiefs have been active in revising or introducing protective measures. Here are some specific actions corporate security chiefs have taken, in their own words.

Real-time Global Information. "We publish an International Security Update on a daily basis. This takes a snapshot look at the world and divides it into theaters. Any new threat information pertinent to travelers in the last 24 hours would appear. The reports include hyperlinks so that users could access government warnings issued from the United States, Great Britain, Canada, Australia and elsewhere."

Reducing Executive Travel. "We have placed some limits on executive travel.

We now have a rule that no more than three executives can travel on any individual flight." Another adds: "Most of our executives travel by corporate jet. Nonetheless, we instituted, with the approval of the CEO, a ban on travel [following 9/11]. Even today, executive travel has dropped off about 50% from a year ago."

Briefing the Board. "I have briefed the board of directors and the global leadership teams collectively and have spoken individually about travel and personal security issues."

Contingency Planning. "Our organization was near the World Trade Center. We lost the use of our building. Fortunately, we could move immediately to our midtown corporate location from where our recovery operations were directed."

Living Abroad Anonymously. "In foreign postings, we discourage single-family dwellings for our personnel. We encourage them to reside in condominiums or large apartment buildings. In some nations, they reside in residential apartments within hotels."

Global Evacuation Plans. "We have mandated now that all locations, foreign and domestic, will have an evacuation plan for their facilities. First level is any office with 20,000 square feet or more in a business-type area ... We review the plans and hope to update them every other year."

A Threat? Not for Us. "As a foreign-owned entity, we do not see the threat. We don't perceive who would want to hurt us. We risk more from collateral damage than from direct threat."

In Kidnapping Events — Just in Case. "We collect proof of life information on travelers. It's voluntary right now. It

includes handwriting, voice and DNA samples for use in the event of kidnapping."

Low Profile for the CEO. "When our CEO travels internationally, we sometimes have him picked up by an employee, not a limousine service, so he maintains a low profile. In countries where that method isn't advisable, we use our own driver. We also limit the number of corporate executives traveling together to three, even in our own aircraft."

The participants in the executive protection panel believe that better communications between security and senior executives have occurred since 9/11. One says: "Security professionals have been like Cassandra over the years. They predicted disaster, and no one would listen ... until 9/11." Terrorism provides a wake-up call that has given security professionals the opportunity to enhance all of their security programs, not just executive protection.

Security One Year Later

In addition to the normal programmatic issues of corporate protection, 9/11 engendered subtle changes in the ways in which security chiefs work. One leading practitioner remarks: "We've been discovered. Those of us in the security profession have been brought into audit committees, boards of directors, whatever organizations you have." It's a new time of "awareness and inclusion."

Providing a Balanced Approach. Richard G. Hudak of Loews Corporation feels that corporate security "shined" in the way it served organizations and society at large generally following 9/11 and since then. "Management was very accepting after they saw that we could help get the organization through the crisis and how we managed it." Hudak adds that "a balanced security program" at all times must be maintained. To

demand too much of management if it cannot be objectively justified could lead to repercussions later, he warns.

Reducing Fear. Derek G. Mathews of Armor Group agrees that security should counteract fear, "not to scare everybody, not to put fear out that something was about to happen," when objective intelligence to the contrary was missing.

Remaining Wired. ISMA members feel that to do their jobs well, it's necessary to stay in touch with their own sources of information. What do they use? The list is long but includes contacts in law enforcement, federal services, ISMA members and the security industry generally. Helpful associations include: the Federal Computer Incident Response Center, the National Infrastructure Protection Center, the U.S. Department of Energy's Computer Incident Advisory Center and the U.S. Department of State's Overseas Advisory Council. CSOs also cite contacts with the media and reading private security newsletters and services.

Crisis Management. Gary S. Schiff, Security Services Group of Kroll, says his group is now able to "focus on business continuity like never before," as clients can think concretely about the need to plan for continuity and act.

Issues of Geography. Organizations with operations in New York were clearly affected more than other cities, participants agree. However, the impact was felt elsewhere as well. Don W. Walker of Pinkerton notes: "All business is local. Well, all threats are local, as well." The risks of a terrorist attack are not just to the New York City area or Washington, D.C., but everywhere, ISMA panelists say. Only the degree of vulnerability differs.

Vulnerabilities of Corporations. Could private enterprise remain a target because of lesser protective resources than government? Charles R. Steadman

of KPMG observes: "The government seems to have an unlimited budget. We are called soft targets because we do not have the unlimited budget." One day in the future, terrorists could determine that the corporate sector is the weak underbelly.

Maintaining Confidence. "This is the United States of America. You're never going to shut this place down," exhorts an ISMA member. A free society depends on having no security checks, say, when one goes into the mall or travels on public transportation. Business as usual is absolutely central to a thriving economy, and security measures help support a functioning, vibrant economy.

Technological Adjusting. Roy J. Murphy of Aetna believes security will keep pace with technology. For example, he foresees in the near future an ID card with greater functions than those at present. In addition to access control into one's office and to use one's computer, the ID document can be used to pay for lunch, use the gym, enter the garage, whatever else makes sense. CSOs need to watch for technological advances and adopt them to improve security objectives and other corporate activities as well.

A Safer Future?

ISMA members generally feel that measures in place now make the nation safer than it was a year ago. Certainly, that's true for their workplaces. But if public and private security measures backslide, the prospects for the nation and individual corporations here and abroad are not so rosy. "The key to our future success against terrorism is all about leadership," says ISMA President Littlejohn. "That force must emerge from the public sector, private sector and academia collaborating and cooperating to reduce risks everywhere."



Millionaire **Bob McNair** has turned from energy to end zones. *Page 202*

Richard Kinder

\$1.2 BILLION

Pipelines. Houston.

68. Married, 1 child

Former Enron president wisely left firm in 1996, uncomfortable with "asset light" strategy. Bought Enron's asset-rich liquid-pipeline operations with college classmate William Morgan. Today Kinder Morgan controls over 30,000 miles of pipe, transports 2 million barrels a day. Also owns bulk terminals, power plants. Vietnam vet careful to avoid Enron ex-

cesses: flies coach class, pays himself just \$1 a year.

Marc Rich

\$1.1 BILLION

Commodities, tax evasion. Meggen, Switzerland.

67. Divorced, remarried; 2 children

Pincus Green

\$1.1 BILLION

Commodities, tax evasion. Meggen, Switzerland.

67. Married, 4 children

Devious commodities traders indicted

for 1970s gaming of U.S. oil system, trading with Iran during hostage crisis. Fled 1983 to Europe, there ever since. Must have missed New York: had favorite deli food overnighted weekly in mid-1980s; worked for years in the 1990s to finagle infamous Clinton pardons, but apparently haven't traveled back to U.S. Rich: sold commodities brokerage 1994, started a new one shortly after. Owns commercial real estate throughout Europe. Green: retired after heart trouble 1992, but occasionally serves as consultant to Rich.

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Robert Earl Holding

\$1.1 BILLION

Refining, gas stations, resorts. Salt Lake City.
55. Married, 3 children
His \$300 million Snowbasin ski resort opened for this year's Winter Olympics. Even with the Games gone, Holding's 77-room, Grand America downtown Salt Lake City hotel still booked. Stays busy with other assets, including convenience stores, gas stations, Sinclair Oil, skiing mecca Sun Valley Resort in Idaho.

Jerral Jones

\$875 MILLION

Football, oil. Dallas.
59. Married, 3 children
Turned oil fortune into pro football powerhouse. Bought Dallas Cowboys and stadium 13 years ago for \$140 million, investment now worth \$775 million. Won battle with NFL over rights to corporate sponsorship revenue, but still shares 10% with league. Dabbles in poultry, cattle, oil and gas: "In my mind they're as valuable as the team." Moved starring role from Sunday sidelines to



David Rockefeller has graced our rankings since 1982. Page 198

small screen: HBO reality series, *Hard Knocks*, revolves around Jones and his team. Son Jerry Jr. manages dad's Dallas Desperados of the Arena Football League.

Anne Getty Earhart

\$775 MILLION

Inheritance. Laguna Beach, Calif.

50. Married, 2 children

Claire Getty Perry

\$775 MILLION

Inheritance. San Francisco.

48. Married, 4 children

Caroline

Marie Getty

\$775 MILLION

Inheritance. San Francisco.

44. Single

Daughters of George Getty (d. 1973), eldest son of oilman J. Paul Getty (d. 1976). Each inherited \$400 million when Getty Oil sold to Texaco for \$10 billion in 1986. Keep low profile, active in California conservation.

Anne Windfohr

Marion

\$775 MILLION

Inheritance, oil. Fort Worth, Tex.

63. Thrice divorced, remarried; 1 daughter

Great-grandfather Burk Burnett began famed 6666 ranch as 19-year-old cowboy with 100 cattle; eventually amassed 448,000 acres. Struck oil. Anne inherited land, big share of oil royalties. Married John Marion, former Sotheby's chairman; they are big art collectors.

Max Fisher

\$750 MILLION

Investments. Franklin, Mich.

94. Widower, remarried; 5 children

Ohio State University football player joined father's oil reclamation business 1930. Started refinery after family plant burned down, sold it in 1959 for Marathon Oil stock. Later swapped shares

By the Numbers

44 members of The Forbes 400 derive their fortunes from finance.



with U.S. Steel for \$150 million in 1982. Active investor says he stayed even in current bear market, but "I'm not a billionaire." Stakes in Comerica down, Sotheby's, Charter One up from last year. Big supporter Republican Party, Detroit-area philanthropy.

Frederick Koch

\$650 MILLION

Oil. London.

67. Single

William Koch

\$650 MILLION

Oil. Palm Beach, Fla.

62. Divorced, remarried; 4 children, 2 stepchildren

Brothers inherited shares in Koch Industries, oil conglomerate started by father Fred Koch (d. 1967). Sold to brothers David and Charles Koch (*see*) in 1983 and later Fred and William claimed they were shortchanged. William: avid sailor, 1992 America's Cup winner; settled lawsuits with brothers last year, claims family rifts are healed. Now runs investment company Oxbow Corp. Fred: lives in London, collects art.

Medicine Men

The markets may be ill, but the fortunes of these healers remain healthy. Their products and services protect us, insure us and mend our cuts and bruises.

Maurice Greenberg

\$3.3 BILLION

American International Group, New York.

77. Married, 4 children

"Retirement" still a naughty word for AIG head, but recent restructuring of top brass may be first step in finding a successor. "Hank" joined American International in 1960, built multinational insurance powerhouse with \$5.8 billion in annual profits.

William Cook

\$3.2 BILLION

Medical devices. Bloomington, Ind.

71. Married, 1 son

Inventor's percussion troupe was a critical bust, but his stents and catheters manufacturer a medical marvel. In July Guidant Corp. agreed to buy Cook Group for \$3 billion in stock.

James Sorenson

\$2.4 BILLION

Medical devices. Salt Lake City.

81. Married, 8 children

Lifelong entrepreneur made first fortune



Lemohada tastes a lot better from his seat: **Alfred Mann**, Page 218



**Just because you have money to burn
doesn't mean you want to.**

OPERATING COST PER FLIGHT HOUR

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Citation Encore		\$1,390
Private Jet		
Hawker 800XP	\$1,390	\$1,828

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By the Numbers

30 members of The Forbes 400 derive their fortunes from technology and software.



selling medical devices business to Abbott Labs 1980. Now invests in digital technologies via Sorenson Media (video compression used in Macromedia Flash, QuickTime); biotech (DNA sequencing). "Mostly I'm a Viking."

Barbara Johnson

\$2.4 BILLION

Inheritance. Monaco.

65. Widowed

Polish-born cook, former chambermaid struck gold in 1971 when she married Johnson & Johnson founder's son, John Seward Johnson (d. 1983). "Basia" inherited large chunk of J&J stock and the deed to the sprawling N.J. estate, Jasna Polana ("bright meadow" in Polish). Now operated as a private golf club.

John E. Abele

\$1.8 BILLION

Boston Scientific. Boston.

64. Married, 3 children

Peter Nicholas

\$1.6 BILLION

Boston Scientific. Boston.

61. Married, 3 children

Cofounders of Boston Scientific: maker of catheters, stents, balloons, other minimally invasive devices. Took public in 1992. Sales now \$2.7 billion. Abele current chairman; Nicholas resigned as chief executive 1999, still serves as cochairman.

Thomas Frist Jr.

\$1.7 BILLION

HCA Healthcare. Nashville.

64. Married, 3 children

Medical doctor served as Air Force surgeon before founding Hospital Corp. of America with father in 1968. Merged with Columbia Healthcare in 1994; now nation's largest hospital owner. Pulled out of semiretirement to handle lengthy Medicare-fraud investigation 1997. Stepped down again this year.

Ernest Stempel

\$1.7 BILLION

American International Group.

Hamilton, Bermuda.

86. Widowed, remarried; 4 children, 2 stepchildren

After WWII stint as naval officer, recruited in 1953 by AIG founder Cornelius Vander Starr. Built up life insurance division, became AIG president 1963, chairman 1979. Now lives with wife, Brendalyn, in Bermuda.

Peter Lewis

\$1.3 BILLION

Insurance. Beachwood, Ohio.

68. Divorced, 3 children

Father started insurance firm in 1937; Peter took over 1965, accelerated growth by insuring high-risk drivers. Today Progressive Corp. is nation's fourth-largest auto insurer. Art fanatic gave \$50 million to Guggenheim Museum.

Arthur L. Williams

\$1.2 BILLION

Insurance. Palm Beach, Fla.

60. Married, 2 children

Former high school football coach built insurance company A.L. Williams on simple philosophy: "Buy term and invest the difference." Stole market share from rivals by pushing cheap term-life plans. Sold to Primerica for \$90 million in 1989. Now owns 21 million shares of Citigroup.

Jon L. Stryker

\$1.1 BILLION

Inheritance. Kalamazoo, Mich.

44. Single, 2 children

Ronda E. Stryker

\$1.1 BILLION

Inheritance. Portage, Mich.

48. Married, 3 children

Patricia A. Stryker

\$960 MILLION

Inheritance. Fort Collins, Colo.

46. Divorced, 3 children

Grandchildren of Homer Stryker (d. 1980), surgeon who invented mobile hospital bed. Received Army contract during WWII, but lost it at war's end. Marketed beds to civilians, added new products like cast cutters, specialty stretchers. After Homer's son Lee died in 1976, siblings brought in John Brown (*see*) to run \$2.6 billion sales Stryker Corp. Eldest sister, Ronda, sits on Stryker



Thomas Frist hopes retirement goes better this go-around.



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board. Patricia lives in Colorado, supports local charities. Jon, an architect, splits time between Kalamazoo and Palm Beach.

Alfred Mann

\$950 MILLION

Investments. Los Angeles.

76. Divorced, 6 children

Armed with physics master's from UCLA, founded and sold aerospace companies Spectrolab and Heliotex 1960s. Switched to biotech. Funded slew of upstarts: rechargeable pacemakers, insulin pumps, diabetes drugs. Sold two to Medtronic for \$3.8 billion in 2000. Recently purchased part of Santa Clarita Valley aerospace center to open biomedical park. Pledged \$270 million to UCLA, USC, Johns Hopkins. "My life is a fairy tale, except it's real."

George Joseph

\$940 MILLION

Insurance. Los Angeles.

80. Divorced, remarried; 5 children

Numbers genius earned Harvard math and physics degrees in 3 years. Ditched \$225-a-month actuarial job to start property and casualty insurance company. Founded Mercury General 1962 to aim at auto business. Aggressive claims investigations to counter fraud help rank company as California's sixth-largest insurer.

Leonard Abramson

\$775 MILLION

Aetna. Jupiter, Fla.

69. Married, 3 daughters

Drove cab while at Philadelphia College of Pharmacy & Science. Became salesman at Parke-Davis; quit, started U.S. Health-care 1975. Sold to Aetna for \$8.3 billion.

Patrick Ryan

\$660 MILLION

Insurance. Winnetka, Ill.

65. Married, 4 children

Aon chief saw world's No. 2 insurance broker endure grueling year after losing 176 employees in Sept. 11 World Trade Center attacks. Paid \$90 million in employee compensation benefits. Milwaukee-



Hank Greenberg has had his hands firmly on AIG for four decades. *Page 214*

born Ryan sold insurance at father's car dealership 1960s. Founded Aon 1987. Part owner of pro football's Chicago Bears.

Rex Maughan

\$600 MILLION

Forever Living. Paradise Valley, Ariz.

63. Married, 3 children

Former Phoenix real estate developer quit to peddle aloe vera juice. Expanded into other aloe-based products, nutritional supplements. Forever Living

Products now generates \$1.5 billion in sales in multilevel marketing network.

John W. Brown

\$550 MILLION

Medical equipment. Kalamazoo, Mich.

68. Married, 2 children

Hired hand turned Stryker Corp. from small maker of hospital beds into dominant supplier of medical products. Took helm in 1977, promised 20% annual earnings growth; missed target only twice.



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Widgeteers

Manufacturing may

seem mundane, but there's nothing boring about the billions being made from Beanie Babies and birthday cards.

Samuel C. Johnson \$7 BILLION

S.C. Johnson & Son. Racine, Wis.

74. Married, 4 children

Chairman emeritus of \$5 billion family business goes Hollywood: pitched company products on TV; re-created father's 1935 flight to Brazil for a documentary that also chronicled his own struggle with alcoholism and insecurity. "My biggest doubt about my father was, 'Does he love me as much as the company?'" Handed control to fifth generation in 2000: son H. Fisk Johnson now chairman; daughter Helen Johnson-Leipold heads publicly traded Johnson Outdoors; daughter Winnie Marquart director at Johnson Financial Group; son Curt runs JohnsonDiversey. Company blossomed in 1950s when Sam developed Glade, Raid, Off, Pledge.

Ty Warner \$6 BILLION

Beanie Babies. Chicago.

58. Single

College dropout took job selling stuffed toys. Quit, started own line of stuffed cats, other animals. Hit pay dirt with Beanie Babies: understuffed animals affordably priced for those on an allowance. Kids love the cute panes (Hissy the snake), adults fall for commemorative releases (Courage the dog, in honor of 9/11 rescuers). Now sponsors World Cup and launching operations in New Zealand, Australia, Korea. Also hotels, including Four Seasons in New York, Santa Barbara.

Eli Broad \$4.8 BILLION

Home building, financial services.

Brentwood, Calif.

69. Married, 2 children

Founder of prefab housing manufacturer KB Home and insurer Sun America. Sold latter to AIG in 1998 for \$18 billion. Contemporary-art buff (Jasper Johns, Andy Warhol, Jeff Koons), active giver: \$400 million pledge to education, \$25 million for the new biotech center at California Institute of Technology.

Jon Huntsman \$2.5 BILLION

Petrochemicals. Salt Lake City.

65. Married, 9 children

Founder of \$8.5 billion (sales) chemical concern Huntsman Corp. (see story, p. 90).

William Davidson \$1.9 BILLION

Glass. Bloomfield Hills, Mich.

79. Divorced, remarried; 2 children

Lawyer joined uncle's windshield business in 1955; president two years later. In 1970s adopted "float glass" manufacturing process: pouring molten glass onto a bed of liquid tin to make flat glass. Now building float glass factories in the United Kingdom. Still oversees \$3.8 billion (sales) Guardian Industries: makes glass for automotive, construction industries. Owns pro basketball's Detroit Pistons, hockey's Tampa Bay Lightning.

Donald Hall \$1.9 BILLION

Hallmark. Mission Hills, Kans.

74. Married, 3 children

Barbara Marshall \$960 MILLION

Hallmark. Kansas City, Mo.

78. Widowed, 3 children

Elizabeth Reid \$960 MILLION

Hallmark. Denton, Tex.

80. Divorced, 5 children

Three children of father Joyce Hall (d. 1982), who started selling postcards out of Kansas City YMCAs as teenager. Today privately held Hallmark sells more than half of all greeting cards in U.S. Sour economy prompted debut of office-life cards, including those for laid-off coworkers. Also hired poet Maya Angelou to pen line of inspirational cards.

Herbert Kohler & family \$1.5 BILLION

Plumbing fixtures. Kohler, Wis.

63. Divorced, remarried; 3 children

Third-generation business best known for plumbing fixtures, started as steel foundry in 1873 by John Michael Kohler. Now in furniture, cabinetry, tile, engines, generators, golf resorts. With sister Ruth, controls \$2.6 billion (sales) firm after buying out 300 shareholders in 1998.



Bill Ford put his family
back in the driver's seat at
Ford Motor. Page 224

Mitchell Rales

\$1.3 BILLION

Danaher Corp. Washington, D.C.

45. Married, 2 children

Steven Rales

\$1.3 BILLION

Danaher Corp. Washington, D.C.

50. Married, 3 children

Brothers ditched father's real estate business in 1979, consolidated manufacturing ventures under name of favorite Montana fishing tributary, Danaher, 3 years later. Acquired and revamped ailing assets, now leading maker of tools, components and process-environmental controls. Failed bid for Cooper Industries 2001, but bought Gilbarco and Videojet.

Charles Gates Jr.

\$1 BILLION

Automotive products. Denver.

81. Widowed, 2 children

Father Charles Gates Sr. started Gates Rubber Co. in 1911 after purchasing Colorado Tire and Leather for \$3,500. Fifty years later Charles Jr. inherited world's largest nontire rubber manufacturer. Sold to Tomkins Plc. in 1996 for \$1.1 billion in stock, but company lately trying to buy back Gates family shares.

Roger Milliken

\$1 BILLION

Textiles. Spartanburg, S.C.

86. Married, 5 children

Grandfather Seth Milliken founded textile-maker in 1865. Roger took helm 1947. Estimated sales: \$3.9 billion. Barred children from management role in Milliken & Co.; now fights to maintain family control over 137-year-old company. Outspoken conservative: critic of fast-track free-trade pacts, founded Heritage Foundation.

John Orin Edson

\$960 MILLION

Leisure craft. Seattle.

70. Divorced, remarried; 2 children

Boating fanatic became maker to the



Jon Huntsman remedied his ailing chemicals giant. Now he's fighting cancer. *Page 220*

masses after launching Bayliner Marine in 1955. Streamlined building process—only three colors offered—lowered costs. Sold to Brunswick for \$425 million in 1986. Reinvested in bonds, stocks, Arizona real estate; relaxes on 161-foot yacht.

John H. Krehbiel Jr.

\$950 MILLION

Molex. Lake Forest, Ill.

65. Married, 3 children

Frederick A. Krehbiel

\$700 MILLION

Molex. Hinsdale, Ill.

61. Married, 2 children

Grandfather invented Molex, plastic used for flowerpots and toys. Father John Sr.

turned company into one of the largest manufacturers of electrical and optical connectors. Brothers retain cochair title but no longer active day-to-day. Republican donors.

Richard Manoogian

\$930 MILLION

Masco. Grosse Pointe Farms, Mich.

66. Married, 3 children

Father Alex (d. 1996) emigrated from Armenia, formed Masco Corp. in 1929. After Yale, Richard helped dad transform \$55 million (sales) company into home and building products giant: Delta faucets, Behr paints, Weiser locks. Current Masco chairman and chief executive also a big art collector, supporter of civic and cultural causes in Michigan. Sits on boards of Bank One, Ford, Metaldyne.

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Edward G. Watkins III

\$900 MILLION

Security systems. Concord, Mass.

66. Divorced, remarried; 2 children

Secretive grandson of E.G. Watkins, time-clock inventor who founded Simplex Time Record 1897. Edward took over 1967, added software-run security systems. Presciently sold to Tyco last year for \$1.2 billion. Tyco stock now down 72%.

William Clay Ford

\$850 MILLION

Ford Motor Co. Grosse Pointe Shores, Mich.

77. Married, 4 children

Ford family back in control of world's second-biggest automaker after ousting CEO Jacques Nasser last October, but hard road ahead. Stock languishes near 5-year lows and dividend has been sliced by two-thirds. New head, son William Clay Ford Jr., hopeful for break-even this year, after losing \$5.5 billion in 2001.

Amar Bose

\$800 MILLION

Loudspeakers. Framingham, Mass.

72. Married, 2 children

MIT grad with Ph.D. in electrical engineering, patents in acoustics, started Bose Corp. in 1964. First contract with U.S. military. Manufactured first factory-

installed car stereo system in 1982. Today ranks as one of the world's biggest makers of auto, home speakers. Sales: \$1.3 billion.

Virginia Binger

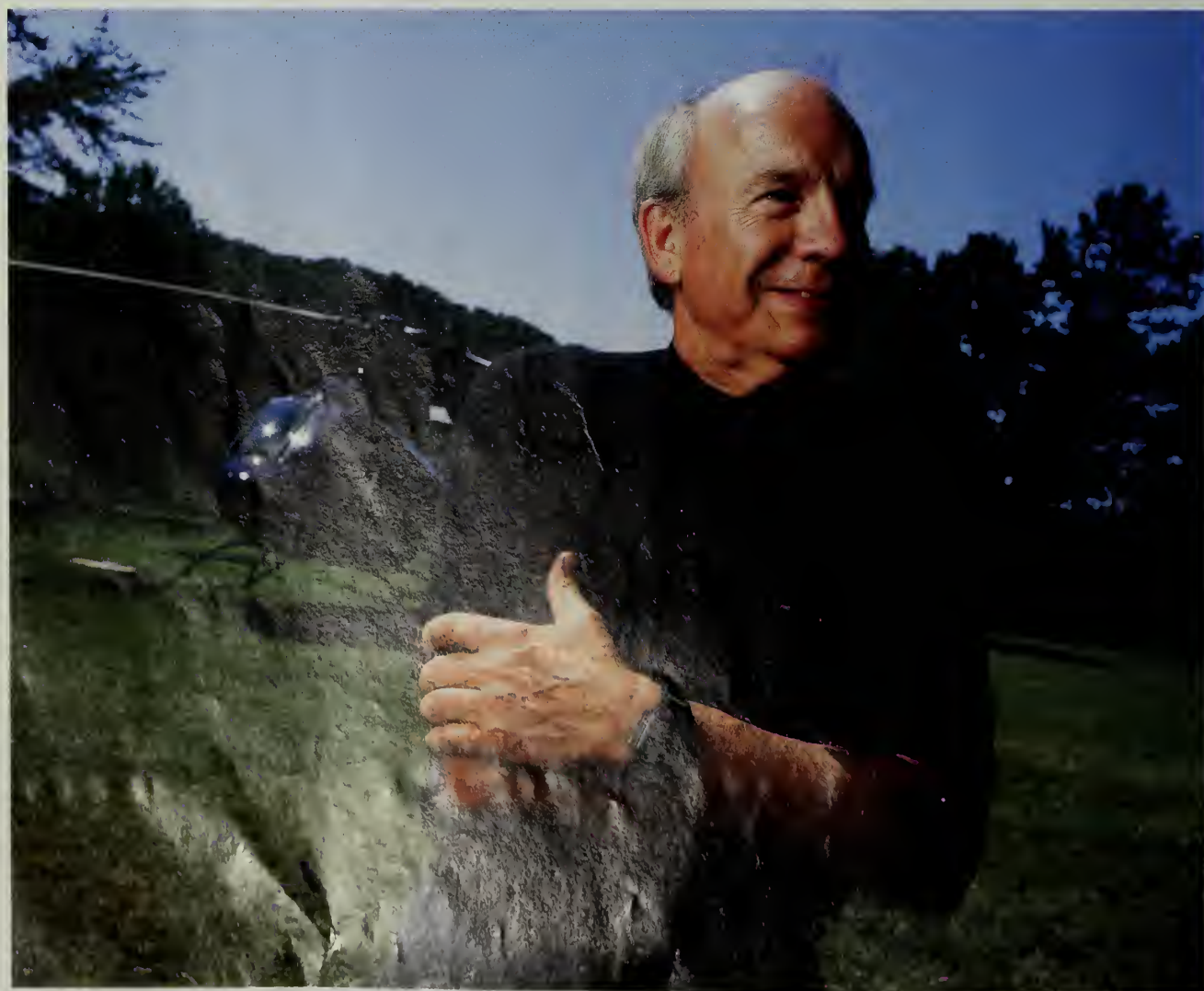
\$770 MILLION

3M. Wayzata, Minn.

86. Married, 3 children (1 deceased)

Only child of William L. McKnight (d. 1978), South Dakota farm boy who rose through the ranks of a sandpaper company that became industrial giant 3M Corp. Serves as honorary chair of \$2 billion McKnight Foundation started by father; runs own foundation to help Minnesota's disadvantaged. With husband owns Jujamcyn Theaters in New York.

James Lee Clayton must be the only Forbes 400 member who flies his helicopter to his mobile home. *Page 226*

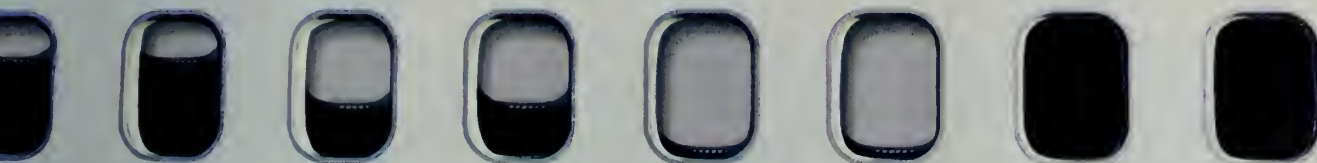




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Leandro P. Rizzuto

\$750 MILLION

Manufacturing. Sheridan, Wyo.
63. Divorced, 4 children

NEW Dropped out of college 1959 to form Conair with parents with \$100 investment. Major product: salon hair dryer. IPO 1972. Took private 1995, expanded into Cuisinart, Waring, Interplak, phones. Despite net profits \$66 million, took \$3 million in kickbacks from suppliers, deposited in foreign banks. Pleaded guilty to tax evasion, resigned from Conair. Awaits federal sentencing this month.

Richard Wendt

\$720 MILLION

Building supplies, resorts. Klamath Falls, Ore.
71. Married, 3 children

Secretive chairman of Jeld-Wen, huge conglomerate best known for doors (Wilmar), windows (Pozzi). In May sold time-share division Trendwest Resorts to Cendant for \$750 million, but sales still thought to exceed \$2 billion. Parsimo-

By the Numbers

At 94, Max Fisher is the oldest member of The Forbes 400.



nious businessman supports welfare-to-work, Social Security privatization. Intends to give Oregon Institute of Technology a \$100 million endowment if it ceases operating as a public university. School still weighing options.

Michael E. Heisley Sr.

\$680 MILLION

Manufacturing. St. Charles, Ill.
65. Married, 5 children

NEW Career computer salesman sold house for \$150,000, borrowed another \$10 million to buy Conco, maker of sewer and drain equipment. Used cash flow to fund purchase of next company. Repeats process as necessary: "My goal is to keep profits down and cash flow up." Privately held Heico Acquisitions now \$1.4 billion (sales) amalgam of 40 companies, mostly specialized manufacturers. Sits on board of alma mater Georgetown, owns pro basketball's Memphis Grizzlies.

James Lee Clayton

\$620 MILLION

Mobile homes. Knoxville, Tenn.

68. Twice divorced, remarried; 4 children
Sharecropper's son made fortune manufacturing mobile homes (*see story, p. 72*). Owned used car lot at 22; broke at 27. Started Clayton Homes 1966; went public 1983. Today one of the largest U.S. retailers of mobile homes. Retired as CEO 1999. Avid sportsman, jet pilot, philanthropist.

Richard Haworth

\$600 MILLION

Office furniture. Holland, Mich.

60. Married, 3 children

Father, Gerrard, founded office furniture company in 1948. Richard took over at age 34, oversaw huge growth spurt with introduction of prewired, movable office walls. Haworth sales now top \$1.7 billion, but slump in corporate spending hurts: since 2001 laid off 3,000 employees (20% of the payroll).

Even if his faddish Beanie Babies fade, **Ty Warner** still has his trendy hotels. *Page 220*



Raymond Park

\$600 MILLION

Heavy industry. Las Vegas.

76. Twice divorced, remarried; 4 children
After Army Air Corps, bought low-grade lumber, sold at high-grade price. Former professional trumpet player got into axle, lumber, stamping businesses. Sold American Axle & Manufacturing to Blackstone Group in 1997 for \$425 million. Sold International Exposition Center to city of Cleveland for \$66.5 million. Sold stake in pro baseball's Cleveland Indians in 1999.

Lynne Pasculano

\$550 million

Auto parts, candy. NYC; Greenwich, Conn.

61. Married, 2 children

Daughter of Harry Lebensfeld (d. 1994), high school dropout who founded office furniture manufacturer UIS. Diversified into manufacturing and distribution of auto parts like oil filters and water pumps. Also New England Confectionary Corp., maker of Necco Wafers, Valentine's Day candies. Estimated sales: \$1 billion.



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Forrest Mars Jr.

\$10 BILLION

Candy, McLean, Va.

71. Married, 4 children

John Mars

\$10 BILLION

Candy, Arlington, Va.

66. Married, 2 children

Jacqueline Mars

\$10 BILLION

Candy, Bedminster, N.J.

63. Twice divorced, 3 children

Siblings own Mars Inc., nation's largest candymaker: M&Ms, Milky Way, Snickers, 3 Musketeers. Also pet food (Sheba, Whiskas, Pedigree) and Ben's Rice. Forrest Sr. (d. 1999) controlled secretive confectionery with iron fist. Estimated sales: \$15 billion.

William Wrigley Jr.

\$3.3 BILLION

Chewing gum, Lake Forest, Ill.

38. Married, 3 children

Great grandfather introduced Wrigley's

Spearmint Gum in 1893, added Juicy Fruit, Doublemint. William Jr. took over after father's death in 1999, gave gum business new bite with health-oriented chewing products promoting acid relief, fewer cavities. Stock up 66% since 2000. Controls 28% of the gum maker, but settled family trust dispute over voting shares in August. Also mired in messy divorce with wife, Kandis.

John Richard Simplot & family

\$2.6 BILLION

Potatoes, microchips, Boise, Idaho.

93. Divorced, remarried; 4 children

(1 deceased)

Eighth-grade dropout started as potato sorter; bought hogs, potatoes. Developed process for frozen french fries, became big supplier to McDonald's, Burger King. Today privately held J.R. Simplot Co. sells spuds, livestock, seed. Sales: \$3.1 billion. Betting on chips of another kind: investment in semiconductor maker Micron Technologies yielded over \$1 billion.

Edgar Bronfman Sr.

\$2.2 BILLION

Liquor, New York City.

73. Thrice divorced, remarried; 7 children

Seagram spirits scion must be woozy watching his once formidable fortune evaporate. After son Edgar Jr. took over in 1994, Seagram quickly changed from profitable beverage giant into erratically profitable entertainment company. Sold Tropicana juice business, big stake in DuPont, to help finance acquisitions of MCA/Universal, PolyGram. Sold to Vivendi in 2000 for \$34 billion. Family's shares, worth \$6.6 billion at the time of the deal, now worth \$630 million. Whiskey unlikely to dull the pain.

S. Daniel Abraham

\$1.8 BILLION

Slim-Fast, Palm Beach, Fla.

78. Married, 5 children

World War II veteran made fat fortune helping others slim down. Bought Thompson Medical in 1947 and sold it 51 years later for a reported \$200 mil-



What's he drinking?
Jess Jackson shuns
all suitors. *Page 230*



Microchips,
potato chips— it's
all the same to
J.R. Simplot.
Page 228

lion profit; then Slim-Fast, weight-loss-supplement maker. Sold to Unilever for \$2.3 billion in 2000. Big giver to Democrats, Israel. Fitness nut says health trumps wealth: "Having more money or less money doesn't add or detract from your living."

Joan Kroc

\$1.8 BILLION

Inheritance. Rancho Santa Fe, Calif.

74. Widowed, 1 child

Third wife of McDonald's founder Ray Kroc (d. 1984). McDonald's former milk-shake-machine salesman in St. Paul, Minn. 1956; married him 15 years later. Fast food fortune now feeds appetite for philanthropy: \$87 million to Salvation Army, \$100 million to various Ronald McDonald charities, \$25 million to Peace institute at University of San Diego, which opened in December.

Charles Butt

\$1.8 BILLION

Supermarkets. San Antonio, Tex.

64. Single

Third-generation grocer feeds yuppie tastes with upscale Central Market stores, which eschew brands like Kraft and Coca-Cola in favor of gourmet foods, wine and cheese, in-store cafes. Today 300 H.E. Butt stores generate \$9 billion in sales. Former bag boy (and Wharton grad) donates 5% of pretax profit to charities, much of it to public education.

Jess Stonestreet Jackson

\$1.8 BILLION

Wine. Healdsburg, Calif.

72. Divorced, remarried; 5 children

San Francisco lawyer planted 20 acres of

grapes in 1974, sold first wine in 1982. Marketed modestly priced chardonnay and cabernet, turned Kendall-Jackson into one of America's biggest winemakers: \$410 million sales, 4.5 million cases of wine shipped. Put company on the block in late 2000 but rejected 3 offers of \$1.7 billion. Now investing in Australia and Chile via Yangarra Park and Calina brands.

Robert Rich Sr.

\$1.8 BILLION

Nondairy topping. Palm Beach, Fla.; Buffalo, N.Y.

89. Widowed, remarried; 3 children

Former milk company owner developed soybean-based whipping cream in 1940s: "The cow is a very inefficient factory." Then nondairy coffee creamer 1960. Expanded into frozen foods, food services. Sales: \$1.7 billion. Hefty giver to GOP, friend to both Bush presidents.

Clayton Lee Mathile

\$1.7 BILLION

Pet food. Dayton, Ohio.

60. Married, 5 children

Campbell Soup accountant joined pet food entrepreneur Paul Iams in 1970. Bought out partner in 1982; created high-end market selling premium puppy chow. Sold Iams Co. to Procter & Gamble in 1999 for \$2.3 billion. Family foundation funds projects in Ohio, educational initiatives in Guatemala.

Ronald Burkle

\$1.5 BILLION

Supermarkets. Los Angeles.

49. Married, 3 children

Former bag boy founded investment firm Yucaipa in 1986, did leveraged buyouts of grocery chains Jurgensen's, Ralphs, Dominick's, Fred Meyer. This year bagged buddy Bill Clinton to consult for new \$1.5 billion fund planning to bring companies to rural and inner-city areas. Recent investment in bankrupt retailer Kmart should provide valuable lessons (though Burkle insists he hedged his shares).

Thunderbird

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ET TO KNOW *no boundaries*



Mary Alice Malone**\$1.4 BILLION**

Inheritance. Coatesville, Pa.

52. Married, 2 children

Bennett Dorrance**\$1.1 BILLION**

Inheritance. Paradise Valley, Ariz.

55. Married, 2 children

Charlotte Weber**\$930 MILLION**

Inheritance. Ocala, Fla.

59. Divorced, 3 children

**Hope Hill
van Beuren****\$850 MILLION**

Inheritance. Middletown, R.I.

68. Married, 3 children

**Dorrance Hill
Hamilton****\$740 MILLION**

Inheritance. Wayne, Pa.

74. Widowed, 3 children

Teresa Heinz returns to the list after two years of catch-up. *Page 236*

**George
Strawbridge Jr.****\$550 MILLION**

Inheritance. Cochranville, Pa.

64. Married, 3 children

Grandchildren of Campbell Soup founder John T. Dorrance; left half of fortune to son, John Jr., remainder to 3 daughters. John Jr. died 1989, children inherited his stake (eldest son, John III, became Irish citizen to avoid U.S. taxes). Family members still control half of Campbell Soup Co. stock. Mary Alice: horse breeder. Charlotte: art enthusiast. Hope: son Archibald only family member still employed at Campbell. Dorrance: avid gardener, recently pledged \$5 million to Pennsylvania Academy of Fine Arts.

**Christopher
Goldsbury****\$1.1 BILLION**

Salsa. San Antonio.

59. Divorced, 1 child

"Kit" scooped up a spicy \$1.1 billion windfall when he sold salsa slinger Pace Foods to Campbell Soup in 1995. Since then his Silver Ventures has invested in the House of Blues club chain, salsamaker Van de Walle Foods. Big backer of Christus Santa Rosa Children's Hospital Center in San Antonio.

Marvin Herb**\$1 BILLION**

Soft drink bottling. Chicago.

65. Married, 2 children

Bronx native moved to the Midwest for job at PepsiCo. Bought Coca-Cola bottling plants in Indianapolis, Chicago; grew into nation's third-largest Coke bottler before selling out last year to Coca-Cola Enterprises for \$1.4 billion.

Joyce Raley Teel**\$900 MILLION**

Supermarkets. Sacramento, Calif.

71. Married, 5 children

Father, former Safeway employee, opened first Raley's grocery store 1935. Introduced

By the Numbers

The average member of The Forbes 400 has **3** kids.



prepackaged meat, in-store pharmacies. Joyce entered business in 1985; became sole owner 1991. Expanded to 150 stores in California, New Mexico, Nevada. Son, Michael, resigned as CEO this year; outsider William Coyne now runs firm.

**John Edward
Anderson****\$900 MILLION**

Beverage distribution, banks. Bel Air, Calif.

85. Married, 4 children

Western Union delivery boy started Ace Beverage, early distributor of Budweiser; now covers California, Hawaii, Virgin Islands, elsewhere. Diversified into banks, insurance, cars. Now owns 16 luxury-auto dealers in Thousand Oaks, Calif. area; \$520 million sales. "I classify business as pigs and cows. Banks are pigs because they only get fatter. The car business is a cash cow." With wife, Marion, gave \$6.5 million to Los Angeles' Childrens Hospital.

Ernest Gallo**\$875 MILLION**

Wine. Modesto, Calif.

93. Widower, 2 children (1 deceased)

In 1933 started E. & J. Gallo Winery with



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Grocery king **Ron Burkle** pockets some help from Bill Clinton. Page 230

brother Julio (d. 1993) after researching winemaking at a local library. Built reputation as ruthless negotiator, expert marketer of low-end wines like Night Train, Thunderbird. Second- and third-generation Gallos better known for award-winning reds, premium brands like Turning Leaf. Estimated sales: \$2 billion.

Harold Honickman

\$850 MILLION

Soft drink bottler. Philadelphia.

68. Married, 2 children

Soda pop pasha maintains plenty of "stomach share" ever since landing a bottling plant and Pepsi distribution rights in 1947. Added Canada Dry, Pepsi and Coors in New York; Snapple in Baltimore. Supports Philadelphia Museum of Art.

William Turner

\$800 MILLION

Inheritance, investments. Columbus, Ga.

79. Married, 6 children

Sarah T. Butler

\$800 MILLION

Inheritance. Columbus, Ga.

82. Married, 3 children

Elizabeth T. Corn

\$800 MILLION

Inheritance. Columbus, Ga.

76. Married, 5 children

Siblings inherited big stake in Coke from grandfather W.C. Bradley. Fortune now run by great-grandsons Stephen Butler and William Turner Jr.: banks, real estate, Char-Broil barbecue grills. Family believed to hold nearly 30 million Coke shares.

John Lupton

\$750 MILLION

Soft drink bottling. Lookout Mountain, Tenn.

76. Married, 4 children

Grandfather John T. Lupton secured Coca-Cola distribution rights in 1899. John joined business as bottle washer in 1954. Sold Great Western Coca-Cola Bottling Co. to Coke in 1986 for \$1.4 billion.

Summerfield Johnston Jr.

\$680 MILLION

Coca-Cola. Chattanooga; Atlanta.

70. Married, 5 children

Grandfather James and partner landed first Coca-Cola bottling franchise in 1899. Company passed down 3 generations to

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NEC-MITSUBISHI ELECTRONICS DISPLAY

Summerfield 1950s. Became largest independent Coke bottler. Merged with Coca-Cola Enterprises 1991.

James Cargill

\$640 MILLION

Inheritance. Minneapolis, Minn.

78. Married, 3 children

Margaret Anne Cargill

\$640 MILLION

Inheritance. La Jolla, Calif.

82. Single

Grandchildren of William W. Cargill, immigrant's son who started grain trading outfit in Iowa in 1865. Cargill today is the largest private company in the U.S. 2002 sales: \$50.8 billion. James retired in 1990 as senior vice president. Margaret keeps low profile. Siblings still thought to own a third of voting stock.

Michael Ilitch

\$575 MILLION

Pizza. Detroit, Mich.

73. Married, 7 children

Former shortstop for Detroit Tigers farm team now owns the ball club, along with pro hockey's Detroit Red Wings. But pizza keeps him in the dough. Opened first Little Caesars pizza restaurant in Michigan in 1959; 40 stores by 1967. Early gimmick: two for the price of one. Wife, Marian, active in company, vice-chairwoman of Ilitch Holdings.

Donald Tyson

\$570 MILLION

Chicken. Springdale, Ark.

72. Married, 3 children

University of Arkansas dropout joined father's Tyson Feed & Hatchery 1952. Spurned buyout offer from Swanson Co. during hard times; rebounded, took public 1963. Acquired meatpacker IBP in 2001 for \$3.2 billion; earnings skyrocketed since. Tyson Foods now world's largest poultry and red meat provider. Donald stepped down from senior chairman position last year, still serves on board of directors.



His stock is up, but **William Wrigley Jr.** is mired in a sticky divorce. *Page 228*

Paul Merage

NEW \$550 MILLION

Hot Pockets. Englewood, Colo.

58. Married, 3 children.

David Merage

NEW \$550 MILLION

Hot Pockets. Englewood, Colo.

52. Married, 2 children.

Iranian-born brothers immigrated to U.S. early 1960s, went separate ways. Paul: Berkeley grad, became product manager for Maxwell House, Hunt-Wesson. David: invested in real estate after Cal State. Reunited 1977, founded Chef America:

frozen Belgian-style waffles sold to schools, coffee shops. Then Hot Pockets: frozen dumplings stuffed with sandwich fillings. Sales: \$720 million. Sold to Nestlé in August for \$2.6 billion.

Teresa Heinz

\$550 MILLION

Inheritance. Fox Chapel, Pa.

63. Widowed, remarried; 3 children

First husband, U.S. Senator John Heinz (R-Pa.), great-grandson of food magnate Howard Heinz. Inherited \$500 million after John died in plane crash. Remarried Senator John Kerry (D-Mass.) 1995.

HANGING TIMES
FOR THE

By Michael Bociurkiw

HONG KONG_{S.A.R.}

REASSESSING THE BUSINESS BLUEPRINT

Perched atop one of Hong Kong's tallest skyscrapers, James Thompson gazes out at the frenetic activity at the world's busiest containerport. Even after some two decades in this former British colony, the American chairman of Crown Worldwide Group can't help but marvel at the rapid pace of business in his home base.

Crown Worldwide, the largest privately held group of international moving companies in the world with 4,000 employees in 42 countries, shares the territory with more than 3,200 other companies with regional headquarters and offices here. The firm, which is famous for its bright red moving trucks, moved its global headquarters to Hong Kong several years ago, after a short stint in Japan. "It didn't take long for us to realize that Hong Kong was a better place to operate from," says Thompson, who is also the chairman of the American Chamber of Commerce in Hong Kong.

Five years after Hong Kong reverted to China and amid widespread pessimism, Thompson and other companies based here haven't downgraded their assessments of this bustling free port. In fact, the prestigious Heritage Foundation of the U.S. ranked Hong Kong as having the freest economy in the world — for the eighth consecutive year — an impressive accolade by any measure. The Cato Institute of the U.S. also rated Hong Kong the world's freest economy in its 2002 annual report, *Economic Freedom of the World*.



Hong Kong's legendary dynamism is one of the many factors that attract firms like Crown Worldwide Group. Most regional headquarters (RHQs) here have a wide geographical span, legitimizing Hong Kong's claim as the only true Asian-Pacific center. Furthermore, according to a recent survey conducted among more than 8,000 companies by the University of Hong Kong, this pivotal role is expected to strengthen in coming years, despite competition from mainland Chinese ports.

"THE TALENT HERE CONTINUES TO BE SOME OF THE BEST WE HAVE SEEN THROUGHOUT THE WORLD."

— JAMES THOMPSON, CHAIRMAN, CROWN WORLDWIDE GROUP

A Hotbed for Entrepreneurs

As home to the sons and daughters of a markedly ambitious and enterprising people who fled China several decades ago, a robust work ethic and entrepreneurialism are Hong Kong's trademarks.

"The talent here continues to be some of the best we have seen throughout the world," says Thompson. "They are always very, very interested in learning more. Many of our own employees go to night school."

During the dot-com boom, Hong Kong's famed entrepreneurial flair helped it outshine other rival Asian centers. The myriad Internet startups that sprouted here at the time demonstrated that people in Hong Kong are extremely innovative and not risk averse at all. "Hong Kong people are more entrepreneurial than most," says Andy Xie, Managing Director of Morgan Stanley, which has its regional headquarters in the territory.

This makes Hong Kong not only a fertile hunting ground for top-notch talent, but also a great test bed for new prod-

ucts. Saturation levels for mobile phones and pagers are the highest in the world, and technologies like cashless smart cards are snapped up enthusiastically by consumers who are eager to try the latest innovation.

Post-1997 Renaissance

Five years after the return of Hong Kong to Chinese rule, few people would argue that much has changed for the worse. Many of the Hong Kong residents who left for places like Vancouver and

Sydney have returned, acknowledging that no other location can rival Hong Kong's healthy business culture. Most of the highly professional civil service has stayed behind their desks through the handover, ensuring the continuity and stability that businesses covet.

It's true that unemployment figures are up, the property market is depressed and plans to seek more integration with southern China have been slow to materialize. But these conditions haven't deterred foreign firms from using the territory as a platform for seeking new opportunities in China and North Asia.

According to former U.S. Consul General Michael Klosson: "Overall, the unfolding story of Hong Kong's transition has been a positive one. With some notable exceptions, China has kept its fundamental promise to respect Hong Kong's autonomy. At the same time, the Hong Kong people have demonstrated their continuing commitment to their unique way of life and institutions."

The Hong Kong "Package"

According to InvestHK, which was mandated to promote Hong Kong's many advantages as an investment and business hub in Asia, on average, one new RHQ is established in Hong Kong each week. The United States tops the list with more than 200 RHQs.

Among the region's most prominent attractions are the absence of exchange controls, a strong legal system, free flow of information, private ownership of the banking system, a superb geographic location, an English-speaking labor force, free port status, unparalleled infrastructure and, most favorable of all, a low and simple tax system.

"Only three places in the world offer this complete package: New York, London and Hong Kong," says Mike Rowse, Director General of InvestHK.

Although Hong Kong has higher costs than many other major business centers, this does not deter new business. Managers say a superb infrastructure makes up for higher costs and the price tag for services like telecommunications is actually far lower than in the United States.

In addition, a depressed property market has translated into lower costs for both expatriates and businesses. "In some areas rental prices are half of what they used to be," says Colin Lam, Vice Chairman of Henderson Land Development Co. Ltd. "There is very, very good value available. Things will stay this way for a while."

Hong Kong simultaneously operates as a regional base for Asia-Pacific, as a base for operations in China and as a sub-regional base for operations in the Pearl River Delta. "If a company can have only one headquarters for these three areas, they will choose Hong Kong," says Rowse.

Of the more than 3,000 companies with an RHQ in Hong Kong, more than

What do all these companies have in common?

Airline Professionals Ltd. **Low taxes: 16%** AOL Time Warner HK Ltd.

Australand HK Co. Ltd. AXA Asia Pacific Holdings Ltd. Boeing International Corporation

Ciena (Asia) Ltd. Citigate Dewe Rogerson CNN CSAV **Rule of law**

Clean government Dynegy Asia Communications Ltd.

Eli Lilly Asian Operations Ltd. FootFall Asia Ltd. **Free flow of information**

Gateway to China Fujitsu Microelectronics Pacific Asia Ltd. Global Gateway

Harvey Nash Kumagai Gumi Co Ltd. March Networks Asia Pacific Ltd. MessageLabs (Asia) Ltd.

Mitsui O.S.K. Lines (Asia) Ltd. **World-class infrastructure**

Unrivalled location Morningstar Asia Ltd. NCL Shipping Agencies Ltd.

Nuance Communications HK Ltd. OpenTV HK Ltd. Partner Reinsurance Co Ltd.

Rojam Entertainment Holdings Ltd. **Skilled workforce**

Level playing field Sendmail (Asia Pacific) Ltd. Shipley Asia Ltd.

SkyGo Inc. Standard Life (Asia) Ltd. Supertex Ltd. **International lifestyle**

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 **InvestHK**

The Government of the Hong Kong Special Administrative Region



100 are from regional competitor Singapore. "Even they accept that to access North Asia, you've got to be in Hong Kong," says Rowse.

InvestHK has remained true to its mission since its formation in 2000 to lure more investment to Hong Kong. "Our job is to make Hong Kong a real warm home for international business," explains Rowse. "We spend a lot of time on the road speaking to companies. And when we detect a problem, we work diligently with the government to find a remedy."

The foreign business community has responded in kind. Under Hong Kong's new master, the territory has retained its legendary reputation for disdain toward red tape. New businesses are assured of a smooth startup path. A foreign diplomat remarked that "the Government here is wildly protective of having a low-hassle environment."

Hong Kong's Monopoly Position

Some analysts predict that Hong Kong's position as a port and financial center could one day be eclipsed by Shanghai. Nevertheless, the territory's well-known advantages will preserve its role as a preeminent business hub.

One well-placed foreigner observes: "Besides all the other attractions of Hong Kong over Shanghai, business transparency is probably a lot better here."

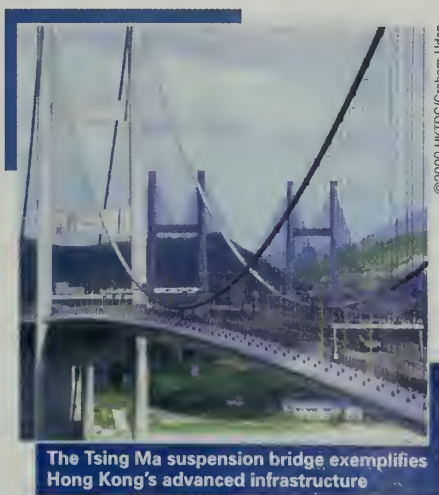
Hong Kong Trade Development Council Chairman Peter Woo opines that Hong Kong will benefit from Shanghai's growth as the former British colony acts as a "service provider" to China. "I would like to see many successful Shanghais because we want to see more clients," says Woo.

Companies continue to choose Hong Kong as a regional operating base because of its crucial role as the gateway to China. Rail, road, ferry and air links with the mainland are abundant and

affordable and should improve even further once trans-border operational issues are resolved.

Trade with China now accounts for 37% of Hong Kong's total trade activity — up from just 6% when China first opened up to the world. Hong Kong firms employ about 6 million people in neighboring Guangdong Province in China.

Despite concerns about restrictions on freedom of expression in post-1997 Hong Kong, even the harshest critics concede that there is no better place to keep abreast of business news from the mainland. "All points of view are available here between the Chinese and the English press," says Eden Woon, Director of the Hong Kong General Chamber of Commerce.



The Tsing Ma suspension bridge exemplifies Hong Kong's advanced infrastructure

Henderson Land Transforms Hong Kong

A powerful symbol of business confidence in the territory is property giant Henderson Land Development Co. Ltd. It is one of the largest residential developers in Hong Kong and a major shopping center and commercial property manager. For many years, Henderson has boasted US\$2 billion in turnover annually and, on average, developed about 4 million square feet a year. Today, it continues to invest in selected new projects. These include the landmark 88-story International

Finance Center, due for completion in mid-2003, and Metro Harbourview, which at 2 million square feet of gross floor area on a 2-hectare site, is the largest urban renewal property development in West Kowloon.

"As the largest property developer of residential units, we are a household name in Hong Kong," says Vice Chairman Lam.

With seven listed companies in properties, hotels, gas, utilities, technology and transportation, Henderson Land is an important cog in the Hong Kong development machine. Its increasing investments in mainland China make it one of the most visible Hong Kong companies in major urban centers like Shanghai, Beijing and Guangzhou.

Urban renewal projects are one of Henderson Land's specialties. It's probably the most active developer for demolishing old buildings and erecting new, bigger, well-planned, multiuse complexes. "This type of activity surely helps to make Hong Kong a more beautiful place," says Lam.

In the sprawling northern New Territories, Henderson Land is actively developing large residential and retail complexes that are adjacent to transportation nodes. "We are helping to house Hong Kong people more efficiently," says Lam.

Healthy population growth coupled with an influx of immigrants from the mainland, newly arrived expatriates and returning Hong Kong residents leads Lam to expect continued demand for residential and office space.

"People still very much enjoy living in Hong Kong," he says. "This is a city of many choices. There is so much to choose from. Banking, financial services, air transportation, medical care, the legal system and professional backup are world class. Corporations and individuals enjoy low tax rates."

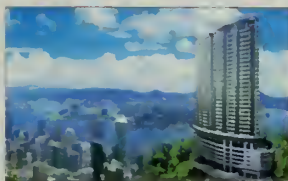


恒基兆業地產集團 HENDERSON LAND GROUP

Property Development



恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT CO. LTD.



"Régence Royale" at Bowen Road



"King's Park Hill" in Homantin



"IFC" in Central

Investment



恒基兆業發展有限公司
HENDERSON INVESTMENT LIMITED

Strategic Investment



The HK & China Gas Co., Ltd.



Miramar Hotel & Investment Co., Ltd.



HK Ferry (Holdings) Co., Ltd.
- "Metro Harbour View"

Property Investment



Hotel



Retail



Property Development in China



恒基中國集團有限公司
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"Beijing Henderson Centre" in Beijing



"Shanghai Skycity" in Shanghai



"Heng Bao Garden" in Guangzhou

IT Technology



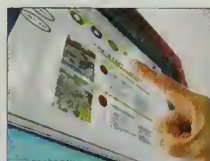
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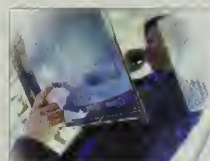
iCare.com Ltd.



Henderson Data Centre Ltd.



Eastar Technology Ltd.



Future Home Ltd.

At Your Service

These members make their money being at your beck and call. They get richer with every car rented, every hotel booked and every poker hand lost.

Robert Pritzker

\$7.6 BILLION

Hotels, investments. Chicago.

76. Twice divorced, remarried; 5 children

Thomas Pritzker

\$7.6 BILLION

Hotels, investments. Chicago.

52. Married, 4 children

Robert and brother, Jay (d. 1999), inherited fortune started by grandfather in 1902. Today Jay's son, Thomas, runs far-flung Pritzker Organization: hotels (Hyatt chain), Royal Caribbean Cruises, mining equipment, railroad cars.

Micky Arison

\$3.5 BILLION

Carnival. Bal Harbour, Fla.

53. Married, 2 children

Father Ted (d. 1999) started Carnival Cruise Lines in 1972; Micky took over 1979 after father moved to Israel. Turned Carnival into the world's largest cruise operator today. Still trying to expand: offered \$5 billion for London's P&O Princess Cruises.

Stephen Bechtel Jr.

\$3.2 BILLION

Engineering, construction. San Francisco.

77. Married, 5 children

Riley Bechtel

\$3.2 BILLION

Engineering, construction. San Francisco.

50. Married, 3 children

Grandson and great-grandson of Warren Bechtel, who started building railroads in the Oklahoma Territory 1890s. Bechtel now construction and engineering giant: Hoover Dam, nuclear plants, city of Jubail in Saudi Arabia. Revenues: \$13.4 billion. Stephen now retired; Riley current chief, oversees projects like new terminal at O'Hare, London Underground.

Jack Crawford Taylor

\$3 BILLION

Enterprise Rent-A-Car. St. Louis.

80. Married, 2 children

Decorated Navy fighter pilot turned Cadillac salesman after WWII, took 50%

pay cut to start own car-leasing business. Enterprise (named after the aircraft carrier he served on during the war) became biggest rental fleet in the business. Sales: \$6.3 billion. Son Andrew, 54, now steering company into airport rentals.

Charles Schwab

\$2.7 BILLION

Discount stock brokerage. Atherton, Calif.

65. Married, 5 children

Despite 25% drop in revenue last year, nation's fourth-largest brokerage still feeling feisty: new ad campaign chides traditional Wall Street shops over conflict-of-interest concerns. Stanford M.B.A. got start writing investment newsletter, founded Schwab as discount brokerage in 1973 with loan from uncle. Purchase of US Trust in 2000 should help lure higher-net-worth clients.

Robert Rowling

\$2.4 BILLION

Hotels, investments. Dallas.

49. Married, 2 sons

Corporate lawyer turned family's oil and

A professional portrait of Robert Rowling, a middle-aged man with dark hair, wearing a dark suit, white shirt, and a blue and red striped tie. He is looking slightly upwards and to the right. The background is a dark, textured wall, and a stone pillar is visible on the left side of the frame.

Despite tight times
Robert Rowling
plans toward building
more, not less.



Sheldon Adelson crossed the Pacific to bet big on Asia's casinos. Page 246

gas fortune into luxury hotel chain. Spent big on Omni Hotels despite weak market: \$110 million on historic San Francisco hotel, \$70 million on Atlanta property. "I guess it's a contrarian strategy." Joined dad's Tana Oil & Gas in 1972; sold production units to Texaco in 1989, exploration division to Unocal. Now drilling in Gulf of Mexico, New Zealand, offshore Texas.

Martha Ingram & family

\$2.3 BILLION

Inheritance. Nashville.

67. Widowed, 3 sons, 1 daughter

Husband Bronson Ingram inherited disparate empire: oil refining, inland marine transportation. Added books; became big distributor of computers, videotapes. Martha inherited fortune after Bronson's death in 1995; took Ingram Micro public a year later. Three sons run other, privately held Ingram Industries, Ingram Entertainment.

Steven Udvar-Hazy

\$2.2 BILLION

International Lease Finance Corp.

Beverly Hills, Calif.

56. Married, 4 children

Fled Hungary for New York in 1958 at age 13. Studied economics at UCLA, became avid flier. Along with Louis and his father Leslie Gonda (*see both*), started International Lease Finance Corp with \$150,000 and a \$1.7 million bank loan. Bought in 1990 by insurance giant AIG for stock.

Glen Taylor

\$1.9 BILLION

Printing. Mankato, Minn.

61. Married, 6 children

Minnesota farm boy worked way through college at print shop. Convinced retiring owner to sell for \$2 million over 10 years. Paid off early, built Taylor Corp., a \$1.3 billion (sales) printing, electronics business. Retired as CEO, still chairman.

Wayne Huizenga

\$1.8 BILLION

Entrepreneur. Fort Lauderdale, Fla.

64. Divorced, remarried; 4 children

College dropout started Waste Management in 1962 with one used garbage truck. Bought 19-store Blockbuster Video chain 1984; expanded, sold to Viacom 10 years later for \$8.4 billion. Now runs AutoNation, world's largest new and used car dealer. Got big boost from recent investment by money manager Eddie Lampert (*see*). Owner of pro football's Miami Dolphins.

Louis Gonda

\$1.8 BILLION

International Lease Finance Corp.

Beverly Hills, Calif.

54. Married, 5 children

Leslie Gonda

\$1.4 BILLION

International Lease Finance Corp.

Beverly Hills, Calif.

83. Married, 3 children

Leslie fled Hungary during Holocaust, came to LA, went into real estate in 1960s. With son Louis and Stephen Udvar-Hazy (*see*) started aircraft-leasing company International Lease Finance. Sold to AIG for stock in 1990. Leslie served as an AIG director and is now retired. Louis oversees investments in real estate, venture capital via Lexington Commercial.

Richard DeVos

\$1.7 BILLION

Amway. Ada, Mich.

75. Married, 4 children

Jay Van Andel

\$1.5 BILLION

Amway. Ada, Mich.

78. Married, 4 children

High school pals partnered in drive-in eatery, nutritional supplement sales before starting Amway 1959. Today over 3 million sales reps worldwide sell personal care, home products. Sales in 2001: \$4.1 billion. Both retired, Amway reorganized under Alticor. Richard owns NBA's Orlando Magic.

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B. Wayne Hughes

\$1.6 BILLION

Public Storage. Bel Air, Calif.

69. Divorced, 2 children, 1 deceased

Onetime real estate syndicator started Private Storage 1972 in California after noticing full storage shed in Texas. Changed name to Public Storage when customer asked if space was open to public. Took public 1995. Today 800,000 self-storage spaces generate \$835 million in revenues.

Michael Krasny

\$1.6 BILLION

CDW Computer Centers. Vernon Hills, Ill.

49. Married, 1 child

Former car salesman found fortune after placing a \$3 classified ad in *Chicago Tribune* to sell his computer. Began CDW in 1982: direct seller of computer products, services to business and government. Sales: \$4 billion. Stepped down as chief executive last year.

Sheldon Adelson

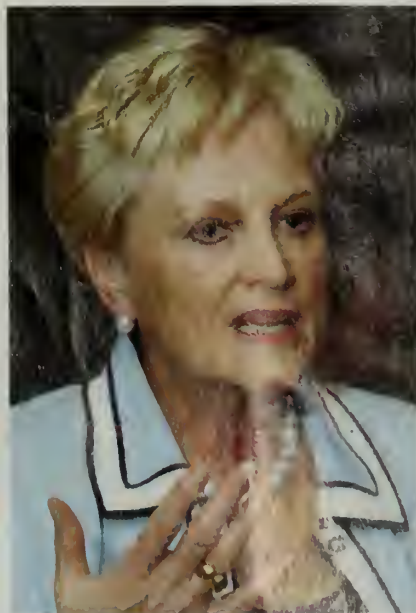
\$1.4 BILLION

Casinos, hotels. Las Vegas.

69. Divorced, remarried; 5 children

Snagged one of three coveted gaming

Christel DeHaan passionately supports children's charities. *Page 252*



licenses to operate casinos in Macau. Irascible personality might be essential to navigate island's corruption and extortionists; 1,000-room addition to the Venetian in Las Vegas hotel will make it one of world's largest. Boston cab driver's son made first fortune in trade shows, sold Comdex in 1995 for \$860 million.

James Moran

\$1.4 BILLION

Toyota distributorship. Hillsboro, Fla.

84. Widowed, remarried; 3 children

First got his hands dirty in autos by pumping gas at age 14. Graduated soon after to running stations and fixing cars. Acquired Toyota distributorship in 1968; expanded into financing, leasing and insurance for auto dealers. Today Southeast Toyota is the nation's largest privately held foreign-auto distributor and dealer. Sales: \$7.8 billion. Daughter, Patricia, now runs family holding company, JM Family Enterprises.

Marilyn Carlson Nelson & family

\$1.2 BILLION

Inheritance. Minneapolis.

63. Married, 3 children

Barbara Carlson Gage & family

\$1.2 BILLION

Inheritance. Minneapolis.

60. Married, 4 children

Daughters of Curtis Carlson (d.1999), founder of \$20 billion (sales) Carlson Cos., the relationship-marketing, hospitality, travel services conglomerate: owns Radisson and Regent hotels, T.G.I. Fridays, Seven Seas Cruises. Eldest daughter Marilyn was handed the company reins in 1998. Barbara sits on board, heads family foundation.

Joseph Jamail Jr.

\$1.2 BILLION

Lawsuits. Houston.

76. Married, 3 children

Personal injury lawyer made fortune in

By the Numbers

18 members of The Forbes 400 have never been married.



Texaco-Pennzoil case 1987; received estimated \$345 million in fees. Now defending one of Enron's law firms, Vinson & Elkins: "I don't need the money, but I'll take it."

Albert Lee Ueltschi

\$1.2 BILLION

FlightSafety International. Irving, Tex.

85. Widowed, 4 children

Dropped out of University of Kentucky to pursue piloting dreams. Flew for PanAm for 10 years; launched pilot-training FlightSafety International 1951. Took public 1968. Sold to Warren Buffett for Berkshire Hathaway stock 1996. Heads Orbis International, nonprofit combating blindness worldwide.

H. B. Zachry Jr.

\$1.1 BILLION

Construction. San Antonio, Tex.

68. Married, 2 children

NEW Family moved from Laredo, Tex. in 1940s. Major player in developing San Antonio's Riverwalk commercial district. H.B. Zachry Co. now the nation's 27th-largest construction business. Other holdings include Hilton Palacio del Rio, 10% stake in pro basketball's San Antonio Spurs. Chairman of Federal Reserve Bank of Dallas.

Your legacy systems have helped you grow strong.



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Charles Schwab
plays the straight
man to Wall Street
jokers. Page 242

B. Thomas Golisano

\$1.1 BILLION

Paychex. Rochester, N.Y.

60. Divorced, 2 children, 2 stepchildren
Started payroll outsourcing business with \$3,000 in 1971. Took Paychex public 1983. Now processes paychecks for more than 350,000 customers. Spent \$20 million on failed bids for New York's governor's office in 1994, 1998. Reportedly spent \$75 million this year on a third campaign.

Marguerite Harbert

\$1.1 BILLION

Inheritance. Birmingham, Ala.

79. Widowed, 3 children
Husband John Murdoch Harbert III

(d. 1995) turned \$6,000 in craps winnings into construction giant: airports, pipelines, power plants. Bought coal reserves in eastern Kentucky, Tennessee late 1960s, cashed out for large stake in Amoco in 1981. Son Raymond manages fortune, Marguerite hunts game on her Georgia plantation.

Frederick W. Smith

\$1.1 BILLION

FedEx. Memphis, Tenn.

58. Divorced, remarried; 10 children
Tour of Vietnam as Marine. After war, followed up on Yale economics thesis: speedy postal delivery via efficient air freight service. Today FedEx's 647 aircraft deliver 5 million packages daily. Transportation in blood: grandfather was riverboat captain, father helped found Greyhound bus lines. Also dabbles in Hollywood, backs production

house Alcon Entertainment (*My Dog Skip*, *Insomnia*).

John Sperling

\$1.1 BILLION

Apollo Group. Phoenix.

81. Twice divorced, 1 child

Peter Sperling

\$1.1 BILLION

Apollo Group. Phoenix.

42. Married, 2 children

Father, John, founded for-profit University of Phoenix for working adults in 1973, took public in 1994. Now schools 148,100 students at 63 campuses, 109 learning centers. John: former union organizer, San Jose State humanities professor; supports genetic cloning, antiaging research, legalization of marijuana. Son, Peter, serves as vice president.

Richard Marriott

\$1 BILLION

Hotels. Potomac, Md.

63. Married, 4 children

John Willard Marriott Jr.

\$840 MILLION

Hotels. Potomac, Md.

70. Married, 4 children

Sons of J.W. Marriott Sr. (d. 1985), who started a root beer stand in 1927; 75 years later, 2000 hotel properties and counting. Company split in 1993: J.W. Jr. runs management company Marriott International, Richard runs Host Marriott Corp. Companies further split this spring as each brother relinquished seat on the other's board.

Dean White

\$1 BILLION

Billboards, hotels. Crown Point, Ind.

79. Married, 4 children

Former billboard magnate now in hospitality business via White Lodging Services: manages more than 80 hotels, primarily Marriotts. Says market crash, travel slowdown haven't hurt proper-

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ties. Graduate of Merchant Marine Academy took over dad's billboard business 1946, sold to Chancellor for \$960 million 1998. Self-professed technology dinosaur launched Profile Systems 1997 to monitor billboard lighting via satellite.

William C. France Jr.

\$1 BILLION

Auto racing. Daytona Beach, Fla.

69. Married, 2 children

James C. France

\$1 BILLION

Auto racing. Daytona Beach, Fla.

57. Married, 3 children

Brothers control stock car racing's Nascar circuit. Popularity still cruising despite efforts by rival Cart league. Father Bill France (d. 1992) started Nascar 1947, built famed Daytona Speedway, one of 12 tracks owned by International Speedway, public arm of brothers' empire.

Mark McCormack

\$1 BILLION

Sports management. Windermere, Fla.

71. Divorced, remarried; 4 children

Owner of sports agency IMG represents top golfers, tennis players, other pro athletes. Now expanding into modeling, classical music, television, corporate consulting: brokered Jack Welch's \$7 million book deal. At 71, has 4-year-old daughter with second wife, Betsy Nagelsen, former tennis pro, but no plans to retire: "People retire to do what I do every day—play golf with Arnold Palmer and tennis with Monica Seles. Write books, make speeches. As long as I can contribute, I'll be around."

O. Bruton Smith

\$970 MILLION

Racetracks. Charlotte, N.C.

75. Divorced, 4 children

Former stock-car driver opened Char-

lotte Motor Speedway 1960; bankrupt 2 years later. Started car dealership. Returned to stock cars with Speedway Motorsports. Took public in 1995. Dubbed car dealerships Sonic Automotive; IPO 1997. Acquired \$1 billion Massey Automotive in March, now largest Cadillac retailer in U.S. Owns majority stake in minor league baseball's Kannapolis (N.C.) Intimidators.

Arturo Moreno

\$940 MILLION

Billboards. Phoenix.

56. Married, 2 children

William Levine

\$880 MILLION

Billboards. Phoenix.

70. Widowed, 3 children

Advertising entrepreneur Levine founded Outdoor Systems 1980 with billboards, and ads in bus stations; Vietnam vet Moreno joined 1984. Pair sold to Infinity Broadcast

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Corp. 1999 for \$8.7 billion in stock; now Viacom shares after 2000 merger. Moreno owns stakes in pro baseball's Arizona Diamondbacks, basketball's Phoenix Suns.

Jeremy Maurice Jacobs Sr.

\$900 MILLION

Sports concessions. East Aurora, N.Y.

62. Married, 6 children.

Father Louis (d. 1968), "Godfather of sports," founded Delaware North 1915, bailed out baseball teams 1920s, won long-term concession contracts. Jeremy moved company beyond peanuts and Cracker Jack into airport and park concessions, contract services, hospitality. Sales: \$1.5 billion. Big presence in Boston sports scene: owns pro hockey's Bruins, FleetCenter arena. Just bought Delta Queen Steamboat Co.

Nancy Dedman & family

\$870 MILLION

Country clubs. Dallas.

74. Widowed, 2 children

Wife of country club king Robert Ded-

Tom Golisano could be a three-time loser for New York governor. *Page 248*



man Sr., who died Aug. 20. Native of Bristol, Okla., graduated Southern Methodist University, sits on board of ClubCorp: owner, manager of more than 200 golf courses and resorts around the world, including North Carolina's Pinehurst, Ohio's Firestone. Sales: \$1 billion. Business run by son Robert Dedman Jr.

William E. Connor II

\$850 MILLION

Exports. Hong Kong.

52. Married, 3 sons

Runs logistics and sourcing business founded in Tokyo 1949 by father, who died earlier this year at age 84. "Chip" started working for dad at age 12, took control of William E. Connor & Associates early 1980s, moved company to Hong Kong 1985. Client list includes top retailers Nordstrom, Dillard's, Saks Fifth Avenue, Neiman Marcus.

Victor Fung

\$800 MILLION

Distribution. Hong Kong. 57.

Manages Hong Kong-based private-label merchandiser Li & Fung with his brother William. Joined the company 1973, and has been its chairman since 1989. Clients include Bed Bath & Beyond, Avon Products, Abercrombie & Fitch, Warner Bros. Victor is also the chairman of Prudential Asia Limited.

Grover Connell

\$750 MILLION

Real estate, equipment leasing.

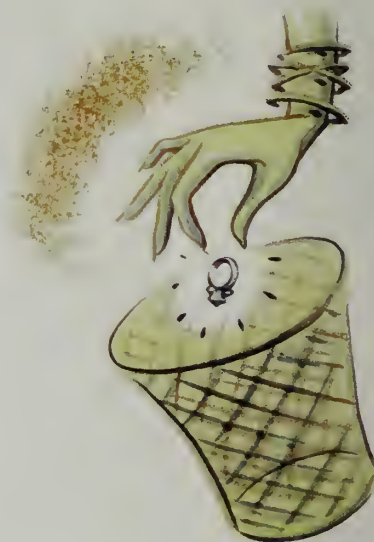
Westfield, N.J.

84. Married, 3 children

WWII Navy vet took over family's rice-trading business in 1950, major supplier of California rice to Japan, Taiwan. Diversified into real estate; owns 1.3-million-square-foot office complex in New Jersey. But bulk of business comes from leasing and financing heavy equipment: railroad locomotives, industrial cooling equipment and more.

By the Numbers

The average member of The Forbes 400 gets divorced **0.4** times.



Donald J. Schneider

\$750 MILLION

Trucking. Green Bay, Wis.

66. Married, 5 children

Wharton grad took over trucking firm started by father in 1938. Satellite tracking made it one of nation's largest carriers: 40,000 trailers, 14,000 drivers, \$2.4 billion revenues. Left president's office in August, but still in driver's seat as chairman.

Christel DeHaan

\$750 MILLION

Time shares. Indianapolis.

59. Twice divorced, 3 children

Daughter of German soldier who died in WWII, left home at 16 to become governess in U.K., moved to U.S. 4 years later. Married Jon DeHaan, founder of Resort Condominiums International. Court awarded Christel half upon divorce; bought remainder two years later. Sold to HFS (now Cendant) for \$825 million 1996. Philanthropist: supports charter schools, children's causes.



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Mark McCormack is stepping out of his traditional role as sports agent to take on television. *Page 250*

Phillip Ruffin

\$700 MILLION

Casinos, real estate, hand trucks.

Wichita, Kans.; Las Vegas.

67. Divorced, 3 children

Dropped out of college to sell hamburgers; now partnering with Donald Trump to develop 43-story, 300-unit upscale condominium on the Strip in Las Vegas. "I'm throwing in the ground, and we'll split the profits on the condo sales." Looking for financing for new San Francisco-themed casino; pushing Kansas legislators to allow slot machines at his two greyhound race tracks.

Thomas Friedkin

\$650 MILLION

Cars. Houston

67. Married, 4 children

Flew for father's Pacific Southwest Airlines 1960s, veered into cars: landed Toyota distributorship 1968. Today Gulf States Toyota the main engine behind

\$3.7 billion (sales) Friedkin Cos.: cars, parts, service, finance, insurance to auto dealers. Hollywood stunt pilot, big-game hunter on his Tanzania preserve.

William G. Bennett

\$600 MILLION

Gambling. Las Vegas.

77. Widowed, remarried; 2 children

Cofounded Circus Circus with William Pennington in 1968, catered to middle class gamblers. Went for high-rollers with lavish Luxor, Excalibur casinos. Cashed out in 1994; reinvested in the Sahara for \$193 million, hotel known for 224-foot high roller coaster.

Joseph Ricketts & family

\$590 MILLION

Ameritrade. Omaha, Nebr.

61. Married, 4 children

Native Nebraskan founded discount bro-

kerage firm 1975 after working as an investment banker. Offered services online 1994; took Ameritrade public 1997. Stock tumbled, but pending \$1.3 billion merger with rival Datek could infuse company with \$43 billion in new client accounts.

Joseph Neubauer

\$580 MILLION

Aramark. Philadelphia.

60. Divorced, remarried; 2 kids

NEW Head of Aramark, \$7.8 billion (sales) operator of food concessions, child care, health care services, and quirky outsourcing operations like managing cattle for EDS. Israeli immigrated to U.S. 1956. Worked as a waiter to put himself through Tufts; scholarship to U. of Chicago, got M.B.A. Joined ARA 1978 as CFO, led a \$1.2 billion leveraged buyout 1984, then renamed Aramark. Took public last year.

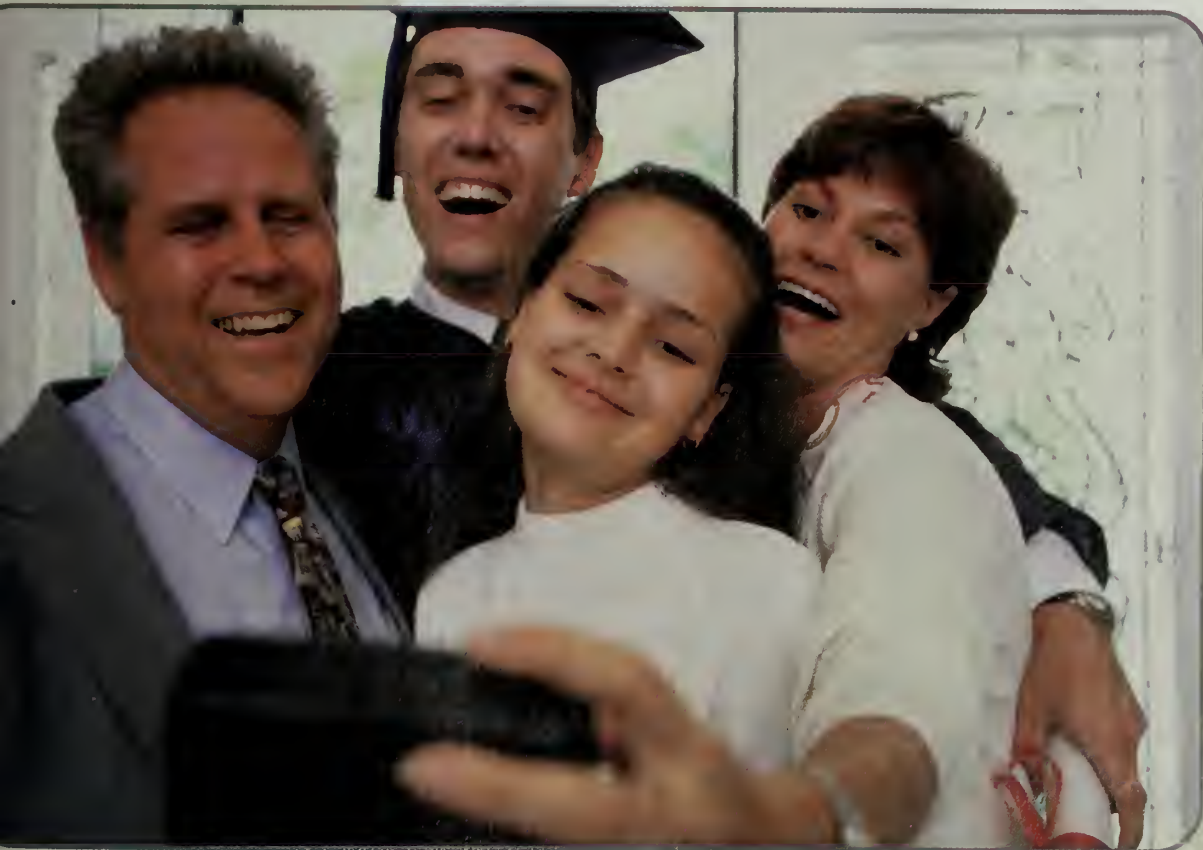
529 Plans

Investing for Your Child's Future

Will you pay for your child's college education the same way you pay for the electric, gas or monthly cable bill?

Writing checks monthly or quarterly, paying as you go?

Written by Cecily Patterson
Produced by Nuala Byrne
Designed by Tatiana Kronberg



GENERAL MOTORS CORP.

Recognizing the increased burden the cost of college will pose for today's families, General Motors Corp. decided in 2001 that participating with Upromise, an innovative new college savings network, could help reduce the impact of college costs on millions of American families.

"Paying for a college education is a very important issue," says Karen Ebben, general director of marketing, GM Customer Network. "Quite frankly, a lot of parents are faced with having to make a trade-off. They ask, 'Do I spend money to have quality time with my children now or start saving that money for their future?' By working with Upromise, we help them to do both."

GM's participation in Upromise reflects the importance GM has long placed on education. "Charles 'Boss' Kettering once said that he believed the greatest education in the world is the education that helps one do the right things when they need to be done," former GM Vice Chairman Harry Pearce says. "Kettering's words still resonate throughout GM." GM, as the exclusive automotive partner to Upromise, contributes \$150 toward a college savings plan upon the purchase of an eligible GM vehicle.

General Motors (NYSE: GM), the world's largest vehicle manufacturer, designs, builds and markets cars and trucks worldwide, and has been the global automotive sales leader since 1931. GM employs about 355,000 people around the world. More information on GM can be found at www.gm.com.



UPROMISE NETWORK

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Wave of the Future

A 529 plan is a state-operated investment plan designed to help families save for future college costs. Federal tax law provides special tax benefits to participants when you open a 529 plan. These benefits vary from state to state, and while your own state may offer attractive benefits to keep your investments there, you can invest in any state's plan. Every state has made a commitment to open a 529 plan, and only a few of these programs are not yet up and running.

A change in the federal tax law code in 2001 increased the appeal of the 529 plan and led to burgeoning accounts. Assets tripled to \$19 billion by the end of March 2002, compared with the \$6 billion in December 1999.

"There was a big jump in interest in 529 plans last year," says Luis Fleites, an analyst with Cerulli Associates. "Tax law changes as well as media focus helped garner assets." Fleites points out, however, that while between 1 million and 2 million Americans may have invested in a 529 plan, 90% of households with children under 18 have not made any provision for college. "The 529 market is still in its infancy stage," says Fleites. "We expect it to evolve quite a bit, in the same

way mutual funds and 401(k) plans have evolved over the years."

Will you pay for your child's college education the same way you pay for the electric, gas or monthly cable bill? Writing checks monthly or quarterly, paying as you go? Traditionally, that's how most people thought of the price of a college education. Accumulating large, tax-deferred sums for a university education without affecting retirement savings, changing one's current standard of living or incurring high tax was difficult.

Some investors socked away a small sum in an Education IRA or opened a UGMA (Uniform Gift to Minors Account). However, since contribution levels for the Education IRA were so strict and there were heavy tax consequences for both, it was often impossible to save enough for college. And since UGMA assets were in your child's name, your son or daughter at age 18 could use the money to fund either a college education or the down payment on a Ferrari.

Times have changed. Four years of tuition plus room and board at a public college in your state will cost an average of \$60,000 in 2010. Private schools may cost between \$200,000 and \$300,000 for four years. That's a hefty electric bill! Now, however,



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the kids can put in some of that summer job money. (Good luck with that.) There's no annual minimum and you can make total contributions of up to \$250,000.

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Stuart Rubinstein, Senior Vice President

TD WATERHOUSE

"Many Americans don't know enough about 529 plans," says Stuart Rubinstein, senior vice president at TD Waterhouse. "We really want investors to learn about them in order to take control of what can seem like a very confusing issue." To that end, TD Waterhouse is offering a free college savings guide, written by Joe Hurley, college savings plan guru, who edits the Web site www.savingforcollege.com.

"This guide not only offers a wonderful summary of all the ins and outs of the 529 plan, it also compares these plans to other college savings plans so parents can make an informed decision," says Liz Butler, first vice president, marketing, TD Waterhouse.

TD Waterhouse provides investors and financial advisers with a broad range of brokerage, mutual fund, banking and other consumer financial products on an integrated basis. Worldwide, TD Waterhouse currently services 3.3 million active customer accounts in the U.S., Canada, the U.K. and Australia. The firm also has joint ventures in Singapore, Japan, Luxembourg, Hong Kong and India to serve investors in those countries.

Look for the free college savings guide on the Internet at www.tdwaterhouse.com.

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there are compelling reasons to stop thinking of college as an expense and to start thinking of it as an investment.

Section 529

The IRS first introduced tax code Section 529 in 1996 as a way to help parents overcome the struggle of saving for college. Prepaid state-sponsored college plans were the result of this new legis-

The Beauty of the 529

"Families saving for a baby born in 2001 will need to accumulate nearly \$250,000 to cover the total cost of sending their child to a four-year private college," says Fleites of Cerulli Associates. "Hopefully, many families will be able to rely on a combination of financial aid and student loans, as well as options like the 529 plan, to help offset these costs." Parents must

Four years of tuition plus room and board at a public college in your state will cost an average of **\$60,000 in 2010. Private schools** may cost between **\$200,000 and \$300,000** for four years.

lation. At the time, these plans were the smartest way to ensure your child an education by prepaying state tuition costs at today's tuition rates. The problem with these plans was that they limited your children to universities in your state. The plans were soon bogged down in state bureaucracy concerning beneficiaries and investment allocation. Future enrollment also became crowded as state universities began to fill up, creating yet another dilemma.

Under the Economic Growth and Tax Relief Reconciliation Act of 2001, the federal government attempted to address some of the prepaid plan complaints. The new 529 plan savings accounts differ from the prepaid plans because they allow plan participants greater control over their funds and do not limit where your child can attend college, as long as the funds are used for higher education purposes. At the same time, the old prepaid savings plans are being revamped to compete with the newer 529 plans.

balance the need to save not only for college, but also for their own retirement. That's why it is so important to start funding your child's college education as soon as possible. The longer you save, the more time the money has to accumulate.

529 plans allow college savings to grow tax-deferred. Students using the money will not be taxed on any qualified distributions, which include tuition, fees, supplies, certain room and board costs, books and equipment required for enrollment or attendance at an eligible undergraduate, graduate or professional institution of higher education, or at an approved vocational technical school. You also can transfer your 529 plan to another family member, including yourself, if your designated beneficiary decides not to attend college or receives a full scholarship.

529 vs. the Roth IRA

Some financial planners liken the 529 plan to a Roth IRA without the limits. Like a Roth IRA, it gives parents the ability to put away



As an educator with Sesame Street, **Dr. Charlotte Cole** works with Muppets the world over. And she knows that things aren't always as they appear. So when reviewing savings plans for her son's education, she often **wondered if there were strings attached.** That's why she turned to us, the leader in 529 plans. We were able to offer her flexible college savings options, with low fees and a variety of tax advantages. So now she controls her son's education, not the other way around.

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*Pierre Dejean,
Program Director, CFP*

TIAA-CREF

The TIAA-CREF group manages 13 state-sponsored 529 college savings programs, more than any other organization. TIAA-CREF, with \$265 billion in assets under management, is an experienced and successful long-term investor, which also operates the premier pension system for the higher education and research community. In addition to college savings programs, TIAA-CREF offers annuities, mutual funds and life and long-term care insurance to the general public.

"We take a state-by-state approach with our 529 plans," says Pierre Dejean, program director, CFP, TIAA-CREF. "Other vendors or providers may take a national approach, but we are different in that each state plan we administer is different from the others."

TIAA-CREF also has among the lowest fees of all 529 plan providers. "We charge a fee based on assets under management," says Dejean. "Our fees can run as low as 60 basis points and go no higher than 80 basis points." A typical no-load mutual fund is 1.4%.

TIAA-CREF 529 plans are sold directly, either over the phone, via the Internet or with a TIAA-CREF field representative. There is no application fee. For more information, check out www.tiaa-cref.org.

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after-tax dollars that grow tax-deferred and come out tax-free, without having the income limits that prevent many people from taking advantage of a Roth IRA. (The Roth is phased out for joint filers who make more than \$150,000 to \$160,000.)

The 529 plan also allows parents to put away substantially more money than a Roth IRA because the 529 savings plan can take advantage of the Federal Gift Tax Treatment and be front-loaded with an initial investment of \$55,000. On the sixth year and years following, an additional \$11,000 per year can be added for a total maximum contribution of between \$200,000 and \$250,000 in most states. The Roth, however, only allows contributions of \$3,000 per year and \$3,500 per year for taxpayers age 50 and over.

Coverdell Account

Another college savings option is the reworked Education IRA, now known as the Coverdell Education Savings Account. A Coverdell Account allows parents, grandparents and other family members, friends or even your child to contribute as much as \$2,000 per beneficiary per year into a tax-advantaged account, providing they meet certain income requirements.

Single-income contributors must make less than \$95,000 per year, while joint filers must make less than \$190,000 in order to make the full \$2,000 contribution. A Coverdell Account can include almost any kind of investment, including stocks, bonds, mutual funds and fixed-rate accounts. A Coverdell Account is also simpler to administer, much like an IRA.

529 plans may be used only for higher education. A Coverdell Account, meanwhile, can be used to pay for kindergarten through grade 12 expenses as well. The funds in a Coverdell Account, however, must be distributed by the time the student is 30, while the 529 plan usually has no age restriction.

UGMAs

UGMAs (Uniform Gift to Minors Accounts) are investments owned by your child. These accounts are managed by a trustee (parent, grandparent or independently appointed party) and, like the Coverdell Account, can hold almost any kind of investments like stocks, bonds, mutual funds and fixed-rate accounts. Traditionally, UGMAs often have been used by grandparents as a wealth-transfer tool to reduce estate taxes. Until the child reaches 14, only \$1,500 in annual investment income is taxed at the child's rate, while the rest is taxed at the parent's highest marginal rate. Once your child is 14, you no longer have to worry about the "kiddie tax."

The problem with UGMAs is that depending on state law, these funds belong to your child at either age 18, 21 or 25. There is no law saying he or she must use these funds for college. In fact, if your child wants to depart for an ashram in India for a few years, he or she is free to take the money and run. This makes a parent-supervised 529 plan much more compelling.

Prepaid Tuition Plans

A prepaid tuition plan locks in today's tuition rates for the student of the future. This college savings plan guarantees your investment will increase in value at the same rate college tuition does. Say Junior is already attending football games at your state alma mater at age 2, and you're sure he'll be following in your footsteps when it comes to college. You can prepay up to 100% of Junior's future tuition by buying tuition certificates. They are equal to the cost of tuition at participating state colleges and can sometimes be used toward a percentage of tuition at private colleges in your state. A prepaid tuition plan's great advantage is that it allows you to lock in future college tuition costs at today's



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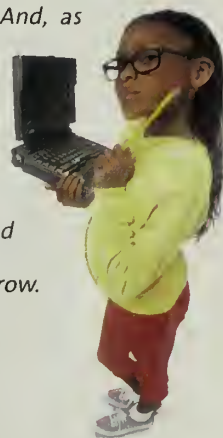
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gm.com

CADILLAC GMC OLDSMOBILE

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have a valid e-mail address in order to join. Terms and conditions apply for each company's contributions. Visit upromise.com for details.

"Joe's Top Ten"

Joseph Hurley, CPA's 529 Program Planning Suggestions

- 1 Closely examine your own state's 529 plan. Look for special tax incentives, asset protection, financial aid advantages, partial contribution match or other benefits available only to in-state program participants.
- 2 Feel free to consider the 529 plans offered by the more than three dozen other states that are open to nonresidents. An out-of-state plan may have more investment options, lower costs or fewer restrictions or limitations. You can even consider opening 529 plans in multiple states.
- 3 Study the enrollment materials carefully. Each state has a different set of rules and regulations governing their 529 plan, so fully educate yourself on the intricacies of each program. A little extra time spent analyzing a program prior to enrollment may avoid surprises down the road.
- 4 Consult with your advisors. These programs can be complicated and potentially confusing. Utilizing the services of a qualified college planning specialist may help you identify the planning strategy and specific 529 program best suited to your individual circumstances. Your attorney and tax advisor should also be involved.
- 5 If at all possible, maintain ownership of the 529 account in your name, not your child's. This will permit you to maintain control over the timing and use of withdrawals, and may also provide for the best student financial aid treatment.
- 6 Involve grandparents in the college savings effort. Surveys indicate that many grandparents are interested in helping out with college funding, but are concerned about the time and money required to draft and maintain formal trusts. 529 plans can be a great alternative to traditional trust funds and allow for beneficiary changes if the original grandchild doesn't need the money for college.
- 7 Keep an eye on any gift tax implications. Depending upon how much you contribute on behalf of your children into a 529 account, you may need to file federal gift tax returns and may utilize part of your annual and/or lifetime gift tax exemptions.
- 8 Consider the Coverdell Education Savings Accounts. Although the Coverdell account includes income and age restrictions not found in 529 plans, tax-free withdrawals can be used for K-12 expenses as well as college costs. You may also find a wider array of investment options with a Coverdell. However, Coverdell accounts could have a bigger impact on financial aid eligibility.
- 9 Analyze the impact of shifting existing investment assets into a 529 plan. There may be significant tax consequences when capital gains are triggered.
- 10 Think about a 529 account for yourself. Most programs allow the owner and beneficiary to be the same person. If you are planning to return to college to complete a degree or pursue a graduate degree, a 529 plan could be a great way to fund your studies. If you later change your mind, you can designate another family member as beneficiary.

rates, eliminating the investment risk inherent in a fluctuating equities market.

A problem arises if Junior decides he wants to attend Brown University, however. Most prepaid college tuition plans don't easily allow for the transfer of certificates to private colleges or colleges out of your state. 529 plans that offered more investment options for the college of your choice then were more meaningful, especially when the stock market was climbing upward, and the appeal of prepaid college plans dwindled.

How to Choose a Plan

Obviously, there are many options to choose from when investing for your child's education. "Choosing a plan can be very confusing," says Joseph F. Hurley, CPA and founder of Savingforcollege.com LLC. "There are any number of differences, some big, some small, between programs. Parents need to weed through the options and find one or more that fits their situation." You may already have a UGMA account in place, for instance, but have decided future assets will be going into a 529 plan. Once you've decided a 529 plan is for you, there are several issues to consider, says Fleites of Cerulli Associates. "You should always look at your own state's plan first, to compare incentives. In addition to the federal tax benefits, you may also have state tax deductions and state tax deferrals to distribute the assets."

Hurley agrees. "Your state 529 plan may offer benefits that you won't get if you invest out of state," he says. "In addition to an upfront state tax deduction for some or all of your contributions, your state plan could offer lower expenses, as well as preferential treatment for state-administered financial aid programs, and it could include special creditor's protection, too." Hurley encourages people to shop around once they've scrutinized the benefits of their state plan. "There are 529 programs in other states that might

more attractive not only for investment purposes but also for flexibility. Your state might also have more restrictions than other states may have."

Cost should enter into your decision-making process as well. "Your goal is to maximize your bottom-line earnings," says Hurley. Cost will eat into that growth. At the same time, however, a higher-cost program may offer better returns. Your own research or that of your investment advisor can help determine how much you want to pay."

Single-Managed Plans

Your state might be one of 13 TIAA-CREF managed plans (California, Connecticut,

to depend on the money being there when it's time for their child to go to college," says Hurley. "If this is the only fund where you've saved for your child's education, you cannot have a lot of stock market risk shortly before he or she is about to enter university."

Save While You Shop

It's certainly a novel idea to think that you can save money for college while you're spending today. But that's exactly what Upromise promises. "We've convinced America's biggest companies to take a portion of what they would spend on marketing and give it to you to spend on college,"

you back a portion of what you spend," says Doyle. You can even buy or sell a house and receive a rebate. Upromise is free. Register at www.upromise.com to start garnering savings for future college spending.

You are not the only one who can contribute money to a 529 plan through Upromise savings, either. Grandparents, aunts, uncles and friends can join the program and direct savings to your child's Upromise account. Family members, for instance, who buy or lease a new eligible GM vehicle qualify for a \$150 contribution to your child's Upromise account.

"Upromise also makes it easy for families to invest their savings tax-deferred," says Doyle. Upromise Investments, Inc., a registered broker-dealer and wholly owned subsidiary of Upromise, Inc., provides access to major investment firms that manage six Section 529 savings plans. "We have 2 million members," says Doyle. "We are not only educating families about the importance of saving for college, but also giving them rebates to help get them started."

Most prepaid college savings plans allow for only **one beneficiary**, but the **529 plan** allows you to change your plan to **any family member**.

Georgia, Idaho, Kentucky, Michigan, Minnesota, Mississippi, Missouri, New York, Oklahoma, Tennessee and Vermont). TIAA-CREF manages more 529 plans than any other company, in fact. TIAA-CREF managed funds can be opened with as little as \$5 and a regular minimum contribution of \$5. These single-managed plans, solely managed by TIAA-CREF, vary from state to state but normally offer about four different investment options, sold directly to customers.

These investment options may include age-based allocation (more aggressive when the child is younger, shading to conservative as he or she gets nearer to college), a total equity fund and a guaranteed return, among others. "Age-based funds make sense for families who really need

says Jim Doyle, marketing director for Upromise. General Motors Corporation, for example, is one of the primary contributing companies supporting Upromise and the exclusive automotive partner. GM decided to participate in the Upromise program when the company realized how difficult it can be for families to save for college. GM's participation also reflects the importance it has long placed on education. American industry's success in an increasingly global society depends on a well-educated workforce, GM believes. Upromise, for GM, seemed an effective way to help educate for the future.

"You can buy a GM car, use AT&T to make a call, buy a toy at Toys 'R' Us, buy gas at Exxon, go to a Borders bookstore, buy Kellogg's cereal, and they will all give

Future Changes

The 529 plan is a relatively new financial product, subject as such to future changes as federal and state governments iron out the kinks. "One change I would certainly like to see Congress act on is to make the tax deduction permanent," says Hurley. Currently the federal tax deduction is supposed to expire in 2010. "I would also like to see separate states be more cooperative in making their tax benefits available to residents investing in out-of-state plans." Hurley would like to see further clarification of the financial aid situation as well. "There are a lot of questions regarding financial aid and 529 plans," he notes. "We don't have a lot of solid answers about those questions. That's a job for the federal government." ■

Near Misses

It took only \$550 million to get onto The Forbes 400 this year. These people came up a few dollars short. But, hey—there's always 2003.

Bobby R. Johnson

\$545 MILLION

Foundry Networks. San Jose, Calif.

45. Married

Network junkie trained at IBM, ran Tri-Data Systems and Centillion Networks. Started Foundry 1996: high-speed switches and routers for Internet. Took public 1999. After stock shot up 605% within a year, rewarded himself with \$231 million compensation package. Martial arts buff not likely to have heard much complaining.

Marion O. Sandler

\$545 MILLION

Banking. Oakland, Calif.

71. Married

Herbert M. Sandler

\$545 MILLION

Banking. Oakland, Calif.

70. Married

Husband/wife team founded Oakland-based S&L Golden West Financial 1963 with \$4 million. Went public 1968. Now second-largest bank in U.S. Herbert: former New York City mayor. Couple share responsibilities as co-CEOs. Notorious for cost-cutters (reduced executive salaries to save agency to save money on architecture to design Northwood bank branch. Together own company. Mary's brother Bernard (see) owns another 5%.

Former member
have to try again

les Bauer will
year. Page 266



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Charles T. (Ted) Bauer

\$545 MILLION

Mutual funds. Houston.

83. Married, 3 children

Cofounded AIM Management mutual fund shop after leaving American General Insurance's money management division. Grew through acquisitions; sold to Invesco in 1999 for \$2.2 billion. Harvard grad, World War II vet donated \$40 million to University of Houston business school.

David G. Bradley

\$525 MILLION

Advisory Board. Washington, D.C.

49. Married, 3 children

Quiet Washington, D.C. native founded Advisory Board at age 26 in mother's Watergate apartment. Split health care consultancy in two in 1997. Took Corporate Executive Board public in 1999, did same with Advisory Board in 2001. Bought *Atlantic Monthly* from Mort Zuckerman in 1999. Also owns *National*

Journal. *Atlantic* increased circulation 50% and won 3 National Magazine Awards in 2002. Met wife at Xerox machine when she interned at Advisory Board. Owns a pony barn in Washington, D.C.'s Rock Creek Park.

Charles Dolan

\$500 MILLION

Cable TV. Oyster Bay, N.Y.

75. Married, 6 children

Cable guy turned entertainment titan now facing wrath of angry shareholders who have watched Cablevision shares fall 90% in the past two years. Also dealing with the ire of George Steinbrenner and local Yankee fans for refusing to include Yankee Entertainment & Sports (YES) Network on Cablevision's basic service. Owns sports teams (basketball's New York Knicks, hockey's New York Rangers), cable channels (American Movie Classics, Bravo), movie theaters (Clearview Cinema Group), retail outlets (the Wiz) and Radio City Music Hall. But current cash crunch will likely force company to unload at least one piece of the empire.

William Barron Hilton

\$500 MILLION

Hotels. Holmby Hills, Calif.

74. Married, 8 children

Son of Hilton Hotels founder Conrad Hilton joined company 1951 as elevator operator. Original owner of pro football's San Diego Chargers. Sold team in 1966, reinvested in gaming industry; now board member of Park Place Entertainment. Aviation enthusiast, photographer. Hilton Hotels chairman since 1979.

William Norman Pennington

\$500 MILLION

Gambling. Reno, Nev.

79. Widowed, remarried; 2 children

With partner William Bennett (*see*), took over gambling house Circus Circus in 1974, grew business by catering to middle-class tastes: slot machines, buffets. Former World War II bomber pilot retired in 1988; now an avid boater and trapshooter.

Rules of the Chase

Two things can keep you off The Forbes 400: an estimated net worth less than \$550 million or a lack of U.S. citizenship. Anyone else is fair game, including those behind bars (ask Alfred Taubman).

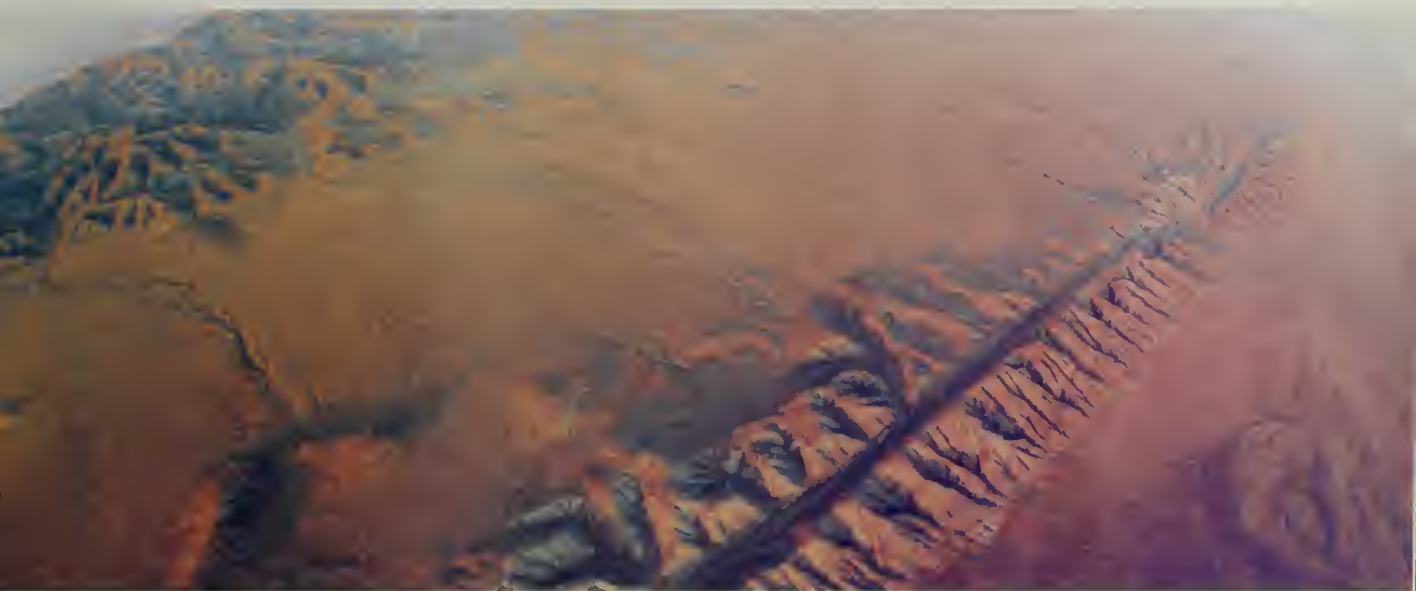
Our net worth estimates are deliberately conservative. Stocks in publicly traded companies are priced at the market close of Aug. 16. Privately held companies are valued according to estimated earnings or cash flow and the prevailing ratios for public companies in similar lines of business. We do not deduct potential capital gains taxes, but we do deduct gains taxes on shares sold. Money in irrevocable charitable trusts and foundations is not counted. Real estate is assessed according to the values of commercial, industrial and residential property or land in specific markets and trimmed back for debt.

Finding formerly unknown fortunes of private individuals requires extensive investigation by a team of reporters spanning the nation. For the two decades FORBES has compiled this list, many of its members have expressed dismay or incredulity with our estimates. This year former billionaire Larry Flinn insisted he no longer merited inclusion, claiming he sold his sizeable stake in Liberty Media at or near its 52-week low. Assuming Flinn did just that, paid capital gains taxes and watched the market slaughter the rest of his portfolio, we deemed the media baron to still be worth \$550 million. Maybe with a little more bad luck, Flinn will fall from our roster next year.

So how good are our estimates? Real estate tycoon Samuel Zell said it best when fielding a call from a Forbes 400 reporter a few years back: "My net worth is \$29.95. The real answer is, 'How the f*** do I know?' You guys think we sit there all day with a calculator thinking, 'Oh my God, we just made another dollar!' We don't do that."

Well, Sam, we do it for you.

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Dropouts

Here one day, gone the next: such is the transient nature of wealth. Just ask these folks.

Davenport, Elizabeth Lupton
Coca-Cola distribution

Dedman, Robert Henry Sr.
Country clubs

Littlefield, Edmund Wattis
Construction

Quadracci, Harry V.
Printing

Bakke, Dennis
AES

Bauer, Charles T.
Mutual funds

Benson, Craig Robert
Cabletron Systems

Bisciotti, Stephen J.
Employment services

Case, Stephen M.
AOL

Dolan, Charles Francis
Cablevision

Fisher, John J.
Gap

Fisher, Robert J.
Gap

Frost, Dr. Phillip
Pharmaceuticals

Goldman, Richard N.
Levi Strauss

Gregory, John M.
Pharmaceuticals

Holst, Courtney Ross
Time Warner

Johnson, Bobby Ray Jr.
Foundry Networks

Kadisha, Neil
Qualcomm

Levinson, Frank
Fiber optics

McKelvey, Andrew
Classifieds

McNealy, Scott G.
Sun Microsystems

Morris, William Charles
Money management

Oelschlager, James
Money management

Sant, Roger W.
AES

Sidhu, Sanjiv
i2 Technologies

Smith, Vincent C.
Software

Stanton, John W.
Wireless communications

Stewart, Martha
Media

Sturm, Donald L.
Telecom

Viterbi, Andrew
Qualcomm

Wang, Charles B.
Computer Associates

Welch, John F. Jr.
General Electric

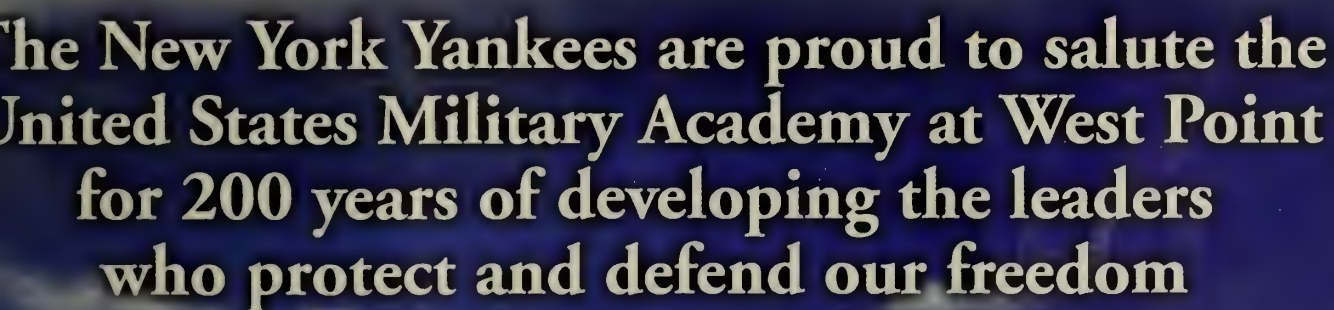
Yuen, Henry C.
Gemstar-TV Guide

Zilkha, Selim
Oil

Zwan, Bryan J.
Fiber optics



Crafty Martha Stewart
was sitting prettier a year ago.



The cadets on parade, opposite, and their magnificently situated home on the Hudson River.



son's requesting Congress to authorize the establishment of a school to produce Army officers. He made his recommendation with many reservations, for he distrusted standing armies. But the issue had been presented to him in distinctly unmilitary terms. The Army of 3,800 men had a detachment of engineer troops stationed at West Point in the Hudson River highlands, the largest fort in the United States. Why not set up a school there, primarily for the training of engineer officers who would become capable of building for a vast and raw land roads, bridges, dams, harbors, canals, docks, and aqueducts? Jefferson went for it. Congress agreed on March 16, 1802.

The U.S. Military Academy opened on July Fourth, with all who applied made welcome. Ten people showed up for the first classes. Eventually some sort of entrance requirements were set up, and when the War of 1812 came, West Pointers at least did better than most of the participants in what was not America's most glorious military hour. When peace came and classes resumed, it was ordered that there be a special cadet uniform based on that worn by the soldiers who had served under Winfield Scott in

one of the few American victories over the British, the Battle of Chippewa. That attire, horsehair plumes and crossbelts and all, is what you find if you are one of the present day's three million annual visitors or have seen pictures of the Corps marching across the Plain in formal review.

In 1817 came the most important occurrence in the USMA's history. A boat arrived at the South Dock, and Sylvanus Thayer stepped ashore. Brevet Major Thayer, 32 years of age, father of the Academy, patriarch of the Long Gray Line, was majestic, cold, unbending, impartial, orderly, unrelaxed and unrelaxing, never one half-minute late for anything, and always seeming to have just bathed, shaved, and dressed. He had prepared for his appointment as Superintendent by obtaining \$5,000 in government funding to purchase in Europe military books, maps, models of fortifications, and charts. These formed the basis for a serious study of the art of war, and how exactly that study would be conducted was Thayer's great construction, lasting almost unbelievably intact for nearly a century and a half. The basis for everything was mathematics. A math problem had only one correct answer. It was

the duty of a cadet to find it. Math had to do with decisiveness, precision, and attention to detail, with certainty and no wandering. Derivative from math was engineering, the other bulwark of the Superintendent's educational program. Everything in these two fields of study worked according to inflexible rules from which no deviation was permissible.

So did the West Point that Sylvanus Thayer invented. Entering cadets, he ruled, would report in late June for two months of what was soon called and still is, although now greatly toned down, "Beast Barracks." The newcomers were put to picking up all the ants in a hill one by one and ordered to change from one uniform into another in impossible time. Taking orders under pressure, with no questions allowed or any excuse, makes for soldiers who are disciplined.

Plebes took meals at strictest brace—shoulders so far back the blades touched—with no part of a chair except for its front two inches utilized. They were often compelled to eat soap and drink Tabasco. This went on until plebe year ended, and those who had not gone mad or run away or broken down were on Recognition Day addressed



THE CORPS

The United States Military Academy turned 200 this year. West Point has grown with the nation — and, more than once, saved it. by Gene Smith

AS THE DRUM AND BUGLE CORPS thumps and shrills, a great mass moves 4,000 strong into its vast mess hall. Plebes, who in other higher-education locales are termed freshmen, report to table commandants that duties have been performed: Water is in the glasses, foil on condiment jars stripped off, platters ready for passing.

"Eat."

The Corps of Cadets of the United States Military Academy at West Point sets to. This is luncheon; like breakfast, it is mandatory for all cadets, but dinner is optional save on Thursday nights, when the entire Corps gathers for important announcements and procedures. That this is so has been in recent years received with great disapproval by a group known, but certainly not to their faces, as DOGS. That stands for Disgruntled Old Grads. More than 9 out of 10 USMA graduates over the years have belonged to the Association of Graduates, a figure undreamed of by other institutions of higher learning, and some are DOGS who regard permission for cadets to go off post for meals as a grave mistake. Why, the Academy was no less than 83 years old before the student body ever

left the grounds en masse, and that was a one-time occasion that saw USMA '86's 1st captain of the Corps of Cadets John J. Pershing leading it across the Hudson River to stand at attention along the tracks when the funeral train of Ulysses S. Grant, USMA '43, passed by.

Such indulgences, say the DOGS, go against the whole point of the Academy, which was, wrote Morris Schaff, class of 1862, to prepare those who went there to "meet the high test of the soldier and the gentleman and to imbue such with the air of an officer." The eating out and drinking, say the old grads, can be ranked with the fact that cadets no longer stand in front of the blackboard with pointer in left hand (in the past, holding it in the right meant a demerit, a gig, with posting on the daily "skin list") and instead lounge in their chairs when called upon by professors, who often address them not as mister but by their first names. (Anyway, "mister" would be inappropriate for 16 percent of the student body. And the Academy head of physical education, the Master of the Sword, is, while a colonel, a she colonel.)

They talk about tradition, the old grads. All begins with President Thomas Jeffer-



Cadet John B. Kerr, class of 1870, sits in his Spartan room wearing his 1812-era dress uniform.

by their names and offered handshakes.

Matters improved for a cadet after Recognition Day, but still he was harried by tactical officers, "tacs," who recorded demerits for men talking while standing in place, defacing public property by having their feet up on a table, misspelling a word when submitting a written explanation, whistling when going up a flight of stairs... Cadet Dwight D. Eisenhower was "hived" for dancing too swiftly at a hop and later said that if they'd had a chance to sit and think for a moment, most of his 1915 class—the Class the Stars Fell On, 59 of its 164 men becoming generals owning a total of 111 stars—"would have taken the next train out."

Some men did, among them Edgar Allan Poe and James McNeill Whistler. Nothing could be more apposite than that West Point's two most famous dropouts should be a poet and an artist. For what came to be called the Thayer System, or the Thayer Method, admitted of no vagaries and no shadings to interfere with definitive, straight, orderly answers to questions. Fifty, 75, 100 years after Thayer's 1833 retirement, cadets gave the same answers to instructors who as cadets themselves had studied the same books. It was forbidden to play cards or chess or a musical instrument or to read novels or plays

Winfield Scott said, the conflict would have lasted four or five years with many U.S. defeats, but as things turned out, not a single battle or skirmish was lost. Then came the Civil War, with 55 of the 60 major battles finding West Pointers in command on both sides, and elevation to the highest positions of military glory of such as Lee, Grant, Sherman, Stuart, Jackson, and Sheridan. So the USMA needed no alteration, it was held. Cadets went on precisely as had their predecessors. The European war begun in 1914 was ignored in the fortresslike Military Gothic buildings looming over the Hudson until 1917, when the United States entered it. Commander in chief of the American Expeditionary Forces, John J. Pershing, then announced that the standards for his troops would be the standards of West Point. No one was ever more the complete USMA product, or more acted the part of the tac he had once been. Commanders got men forward not half an hour early or half an hour late while keeping them closed up on the march, or commanders were gone. In one day Pershing relieved as the heads of their divisions two of his '86 classmates. He snarled at the chief of staff of the 42d Division that the troops needed discipline and order. "I'm going to hold you personally responsible for correcting

measures with the officers at fault. It's a disgrace."

"Yes, sir," replied Col. Douglas MacArthur, a former 1st captain of the Corps of Cadets.

The war over, MacArthur was named Superintendent. He was aghast at the accumulated stagnation. "How much longer are we going to go on preparing for the War of 1812?," he asked. MacArthur ordered the first sweeping changes since Thayer's time, having cadets read a newspaper daily and take classes in psychology, economics, and political science. The DOGS of the day and the faculty howled, and when MacArthur finished his tour of duty, his reforms were instantly repealed. West Point settled back into its former ways. So did the Army, which dwindled to the nineteenth ranking force in the world.

A FEW MEN ROSE ABOVE TORPOR and studied for a war that might or might not come. When it did, they performed brilliantly, their names today in all the books and on schools, boulevards, institutions, and monuments, several on the grounds of their alma mater. How did they rise successfully to command millions, conceive and utilize all sorts of new technologies, and conquer great swaths they then ruled over wisely?

It has to do with something else old Thayer taught. West Point calls it leading with character. That concept is embodied in and exemplified by what is printed on USMA stationery and the plaques affixed to Academy lampposts this 200th anni-

sary year, and in the hearts of those
ing and old of the Long Gray Line:
y. Honor. Country.

he purest distillation of this is the
nt's honor code: "A cadet will not lie,
at or steal or tolerate those who do."
enhower said, "I profoundly feel that
s perpetuation is one of the best as-
sances of our nation's future security."

code, with its implied message that
oldier of the USMA must possess a
s of courage and dedication unknown
thers, has at times produced in
larger society ironical and dis-
sive smiles, although perhaps
er now in the light of events of
so long ago.

he code lives on today in the
tly changed, yet fundamentally
changed, institution that began to
erge in the 1960s. The women who
he in 1976, the multitude of black
brown faces, the elective courses
mitting cadets to major in selected
ds of study, the 100 clubs for dance,
ss, white-water canoeing, theater
plus backstage work and handling
lights for such as Billy Joel and
n John and for touring companies of
s and *A Chorus Line* in the 4,400-seat
enhower Hall: Yes, it's very different
n what it used to be. It's not so hard
graduate without getting a single de-
rit, a remarkable achievement when
bert E. Lee did so. (Grant accumulated
, and Phil Sheridan so many that he
s suspended for a year. Even Pershing
200.) The brutal hazing is gone, but
be "put on the wall" and told off by

an upperclassman still can reduce plebes
to tears.

Military families continue to send their
sons. And their daughters. (One wonders
if there came into the mind of Cadet
Jacqueline Stilwell, as a plebe opening
luncheon condiments, the image of her
great-grandfather Vinegar Joe, whose hat
worn during his Asia campaigns of World
War II is on display in the post military
museum, the largest in the country.) For
all the differences, it's still West Point,

**Graduating cadets
hurl their caps into
the air, as tradition
mandates; they're
headed now for five
years in the Army.**

with half of all its de-
ceased graduates lying
in the post cemetery.

Let the last word be
MacArthur's. Old and
ailing, he went to the

cadets to tell them that his twilight
at hand, he remembered what he had
learned along the highlands of the Hud-
son. "Always there echoes and re-echoes
in my ears: Duty. Honor. Country."

"Today marks my final roll call with
you. But I want you to know that when
I cross the river my last conscious
thoughts will be of the Corps; and the
Corps; and the Corps."

Gene Smith is the biographer of the
West Point products Robert E. Lee,
Ulysses S. Grant, and John J. Pershing.
His account of West Point has been
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the October issue of *American Heri-
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COMMUNICATION WITHOUT BOUNDARIES

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◆ New entry ◇ Returnee

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DIRECT
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For content management, the State Department relies on ClearBlue Technologies

A Web site is only as good as the quality of its information. To attract and keep visitors the content must be accurate, current and well organized. When the content fails to meet those expectations, the credibility of the site, and of the sponsoring organization, suffers. In short, the success of a Web site is highly dependent on strong content management.

The U.S. Department of State maintains one of the largest and busiest government sites on the Internet. www.state.gov is a 45,000-page gold mine of information that attracts an average of more than 4 million visitors a month — a figure that doubled for several months following September 11. Keeping the site's information up to date and relevant was a daunting challenge for the State Department's Bureau of Public Affairs — until it implemented a customized and flexible content management solu-

tion to be in place by the presidential inauguration in January 2001.

"Although our Web site is a vastly complicated, content-heavy enterprise with thousands of pages, ClearBlue was able to help us implement our Web initiative within extremely aggressive time lines," says Hope.

The new, customized content management system greatly simplifies the process of updating the site, Hope adds. Using Microsoft Word, editors can simply cut and paste new or updated material into one of 15 standard templates. Changes are then automatically made in the appropriate locations throughout the site. Editors need not know how to write HTML. Graphic changes also are simplified.

ClearBlue has since added advanced features to the system, including distinctive visual identities for the representa-

"Although our Web site is a vastly complicated, content-heavy enterprise with thousands of pages, ClearBlue was able to help us implement our Web initiative within extremely aggressive time lines."

Colleen Hope, Director, Bureau of Public Affairs Electronic Information, U.S. Department of State

tion from ClearBlue Technologies.

"We found ourselves spending more time on process than on content," says Colleen Hope, director of the State Department's Bureau of Public Affairs Electronic Information. "We had a site that was hard-coded in HTML, and when you wanted to make a change, you had to remember where you made the link or change and physically go in and change the code. If you wanted to change the appearance of something on the site to get a look that was fresher, you had to do it manually. So updating content was a very time-consuming, labor-intensive problem."

Following a competitive bid process, the State Department selected Applied Technology, now a part of ClearBlue Technologies, to develop and deploy content and document management tools and a workflow application. Work began in November 2000 with the mandate that the new system had

to be in place by the presidential inauguration in January 2001. The help ensure that its Web site complies with Section 508 of the U.S. Rehabilitation Act, which requires all federal government Web sites to be accessible.

"ClearBlue continues to provide us with support on a day-to-day basis whenever questions come up, so they have become sort of an extension of our staff," Hope says. "They respond immediately and they're always there to assist us in whatever way we need. They are an invaluable resource for us."

ClearBlue Technologies is a privately held, single-service provider of hosting, managed services, security, Web design and consulting, including extensive experience in Section 508 requirements and professional services for midsize to large enterprises and government agencies. The company is headquartered in San Francisco, Calif., with a significant East Coast operation in Syracuse, N.Y., and a nationwide footprint of Internet data centers.

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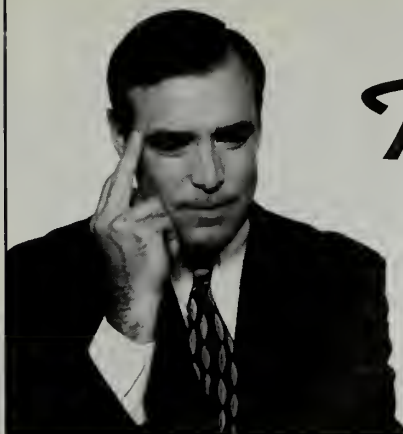
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THE FORBES 400 Index

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Marsico, Thomas mutual funds. (\$760 MILLION)	168	311
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★ New entry Returnee

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Acknowledgments

Philip Murray, Dirks, Van Essen & Murray, Santa Fe, N.M.
 Andy Bernstein, *SportsBusiness Journal*, New York, N.Y.
 Beverage World, New York, N.Y.
Broadcasting & Cable Yearbook, New Providence, N.J.
 Evan Carpenter, Gabelli Asset Management, Rye, N.Y.
 Ed Christman, *Billboard*, New York, N.Y.
 Amy de Cillia, RAND, New York, N.Y.
 Kevin Cunningham and James Regan,
 Market Resource Partners, Philadelphia, Pa.
 Mark J. Ducey, University of New Hampshire, Durham, N.H.
 Marc Ganis, Sportscorp. Ltd., Chicago, Ill.
 Campbell Gibson, TGT Capital Partners, New York, N.Y.
 Green Street Advisors, Newport Beach, Calif.
 Jeff Hale, Steiner Equities, Roseland, N.J.
 Todd Hale, AC Nielsen, Cincinnati, Ohio
 Bjorn Hanson, PricewaterhouseCoopers, New York, N.Y.
 Caroline Harris-Payan, CB Richard Ellis, Newport Beach, Calif.
 Randy Havre, Hawaii Venture Group, Honolulu
 Russell Jones, Cap Gemini Ernst & Young
 Eric Kobren, Fidelity Insight, Wellesley Hills, Mass.
 Jack Lutz, James W. Sewell Co., Old Town, Me.
 Keith McCarthy, Sony Music Entertainment, New York, N.Y.
 Daniel P. O'Brien, Marblehead, Mass.
 Stephen Pendergast, Salomon Smith Barney, New York, N.Y.
 Kim Randolph, BIA Financial Network, Chantilly, Va.
 Bill Shanahan, Cushman & Wakefield, New York, N.Y.
 Dennis Shorrock, *Collier's International*, Sacramento, Calif.
 Mike Talafus, Cushman & Wakefield, Irvine, Calif.
 Gerard Vander Schauw, Executive Media Corp., Seattle, Wash.
 Douglas Warner, Man Financial, Chicago, Ill.



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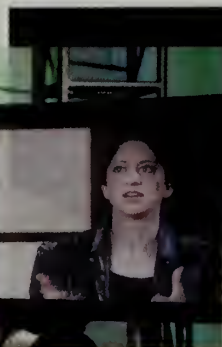
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Turning Talk Into Action:

Wf360 Provides Business Leaders With Leadership Tools

By Lynn Morrissey

No matter what they produce, well-managed companies share a defining characteristic: Their senior executives understand by instinct that the quality of their products is simply a reflection of the quality of their organization. Creating a well-run organization demands leadership abilities that come from scrutinizing market and economic trends, as well as following shifts in management styles and demographics. Yet in a starkly competitive world, where the shelf life of ideas is as brief as the shelf life of today's products, how can senior executives find the information they need to keep their organizations on the leading edge?

One prime source is New York-based Wf360 — formerly known as WomenFuture — a global consulting company that connects the world's top minds and influential leaders with organizations in an interactive exchange about leadership and corporate culture. Wf360 knows that company leaders need to stay connected to the best thinking on a range of issues

such as corporate ethics, employee retention, diversity in the workplace, and even work/life balance, to name a few. Executives also need to expose employees to these fresh ideas, rally personnel around common goals and build connections among managers and employees, as well as customers and business partners, no matter how geographically or culturally distant. And they must do this not just for one day, but every day as part of their commitment to building a competitive organization.

Wf360 showcases leaders, particularly women, of diverse national, ethnic and industry backgrounds. In doing so, Wf360 provides strategic opportunities for companies of all sizes to learn from prominent

leaders, and then turn their business wisdom into action. Using its "TalkSystem" and capabilities with distributed simultaneous conversations (DSC), Wf360 links participants in a global conversation with the assembled speakers, enabling them to become more than passive listeners. "Our format allows individuals to engage and interact from anywhere in the world," says company founder and CEO Susan Willett Bird.

Networking the World

Wf360's skill at turning traditional one-way presentations into a truly global dialogue is showcased in its acclaimed annual program, MainEvent. This unique one-day event gathers together leaders from the public and private sectors for a series of thought-provoking conversations on current issues affecting the business community. MainEvent speakers have included Pamela Thomas-Graham, CEO of CNBC, Meg Whitman, CEO of eBay, and General James Jones, Commander of the U.S. Marine Corps. Produced

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is ongoing, a
company's people,
image and products
are enhanced.



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television studios before live audiences, the panel's "global conversationalists" field questions and comments from audience members — but the conversation doesn't stop there. The program is simultaneously broadcast via satellite to other live audiences assembled by MainEvent client companies in sites around the world, from conference rooms and university auditoriums to retail offices. At the end of each conversation, the panel turns the topic over to these local groups for discussions of their own, facilitated by materials prepared in advance by Wf360. These local sites can in turn share their views with the experts, who then pass opinions on to the global audience.

In practice, for example, participants from a MainEvent client company in Tokyo can give a local perspective to others around the world on how their company tackles such issues as customer loyalty, career advancement for women or global competition. "There are hundreds of such local conversations taking place simultaneously, all on the same topic, in response to the discussion jump-started by the leaders' conversations," says Willett Bird. For the first time, MainEvent2002, held last April, was also available to companies and other institutions through a live, interactive webcast. Through a special rela-

tionship with PBS, Wf360 also reached 200 colleges around the world.

MainEvent topics are timely, often polemical, and invariably generate lively debate. Among the themes featured on MainEvent2002 panels were how women's voices can be better heard in the workplace, how to support gender-neutral leadership, and how to encourage "heroism" at work. By design, the MainEvent format supports Wf360's underlying philosophy, which is to keep the conversation going long after the conference is over. "We provide tools and year-round programs uniquely capable of sustaining the interpersonal connections generated at global events," says Willett Bird.

Women at Work

United by a mutual commitment to strengthen women's leadership in business, Accenture, the world's leading management consulting and technology services organization, has been a global sponsor of MainEvent for the last three years. "Accenture's continuing support of this event reflects our commitment to being a leader in developing a workplace environment that creates a culture of success for everyone," says Gill Rider, Accenture's chief leadership officer.

When it comes to advancing and retain-

ing women professionals, Accenture strives to be among the best by challenging existing business thinking to create an environment in which people from a variety of different backgrounds can prosper. Rider, who joined a MainEvent2002 panel titled "Not Your Father's Workplace: How to Create — and Find — a Corporate Culture Where People Want to Work," is also responsible, along with Accenture Chairman & CEO Joe W. Forehand, for her company's innovative Great Place to Work for Women initiative.

With approximately 75,000 people across 47 countries, Accenture relies on Wf360 to bring together top women leaders to discuss issues that are relevant to all businesspeople. This year more than 1,100 Accenture employees participated in MainEvent2002 via satellite and webcast from locations worldwide. "As an organization committed to innovation and women's achievements, Accenture has been proud to join forces with Wf360 the past three years as a global sponsor of MainEvent. Wf360 shares our vision that together we can change the way the world works and lives," says Forehand.

Extending the Conversation

In response to the varied needs for leadership training, Wf360 has expanded its innovative agenda with its LatinLeader program and Young Executives MainEvent. Wf360 also offers year-round programs on a wealth of topics. It can create private label programs for specific needs, or simply provide the technology infrastructure for a company to host its own global discussion among employees. "We have the scale to serve large, complex, global organizations," says Willett Bird.

As conversation topics, the role of business, the value of work and the nature of leadership have never been more important. Where dialogue is ongoing, a company's people, image and the products they offer to the world are inevitably enhanced. Says Willett Bird, "What today's leaders have to say can spark a company-wide conversation that moves quickly from talk to transformation."

Meeting the Challenge for Women

As an executive with Accenture since 1979, Gill Rider has worked in such industries as Financial Services and Healthcare, and has led the Resources Market Unit for Europe and Latin America. Currently Accenture's chief leadership officer, she heads the company's Organization & Leadership Development group, where she is responsible for developing the leadership capabilities and professional skills of Accenture's people and fostering a culture that encourages diversity, collaboration and achievement.

In addition to these other responsibilities, Rider has spent her recent years focusing on the challenges of improving career opportunities for women, notably as a sponsor along with Accenture Chairman & CEO Joe W. Forehand, of the company's Great Place to Work for Women initiative. This initiative strives to address the challenges the global company faces in attracting, retaining and advancing women through programs that include innovative approaches to flexible work arrangements as well as by sponsoring Wf360's MainEvent. "While we encourage women's growth in the workplace through the Great Place to Work for Women initiative, organizations such as Wf360 facilitate the ongoing dialogue on this important issue, which remains a top priority on the senior executive agenda," says Rider.





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TECHNOLOGY



The color of money: Sleek carbon-fiber racing yachts train for the America's Cup.

The Th

Prelims for the America's Cup set sail next month. Now billionaires by the boat.



DENNIS CONNER WANTS IT BADLY: THE AMERICA'S CUP, the pinnacle of yacht racing. He has been in more Cup events than anyone else—nine. He first won it in 1974, then lost the Cup in 1983 as skipper for the New York Yacht Club, breaking a 132-year winning streak. He won it back four years later, and then won it again in 1988. (Challenges to the incumbent occur irregularly.) Now head of his own Team Dennis Conner, he already has left his San Diego base for New Zealand's Hauraki Gulf to begin four months of elimination races in the Louis Vuitton Cup. That event will yield a winner to challenge the reigning Cup holder, New Zealand, in February. This time, however, Conner must overcome a boatload of billionaire rivals he jeeringly dismisses as "the B's."

Conner built a fast boat (*Stars & Stripes*)

iller B's

ting a fortune that their technology will land yachting's most coveted prize.

BY ERIKA BROWN AND DANIEL FISHER

PHOTOGRAPH BY TIM RUE FOR FORBES

on a tight budget: \$40 million. But the B's are spending twice that or more on hull design, gadgetry, tactical talent and trap-pings. Suddenly, skill is merely a com-modity. "The sailing? It's just how they keep score," says Conner.

Top teams are sprinkled liberally with names from The Forbes 400. Larry Elli-son has plowed \$80 million into his Ora-cle/BMW syndicate. Cellular titan Craig McCaw and Microsoft cofounder Paul Allen have united to fund the OneWorld Challenge with \$75 million. Ernesto

Bertarelli, the Swiss billionaire and chair-man of drug firm Serono International, is spending \$69 million. Patrizio Bertelli, chief of Prada, is betting \$90 million to avenge his loss to New Zealand in 2000.

"Larry Ellison has a two-story, 10,000-square-foot floating hospitality tent for his sponsors. I'm very jealous," admits Conner. Sea salt in his wounds: In July the rudder snapped off one of his \$4 million racing yachts and the boat sank off Long Beach, Calif. Good thing he had two.

Research and development can run \$15 million. Tacticians now pull in \$180,000 a year, skippers as much as \$500,000. And the billionaires cover the cost of feeding and lodging teams of 100 or more, plus their families, in hotels. "The scale of everything has gone up massively," says Peter Harrison, a British data networking centimillionaire and head of the GBR Challenge team, or "syn-dicate." A sponsor offered to ship one of his boats to New Zealand, gratis. Rather than lose six weeks waiting for a cargo

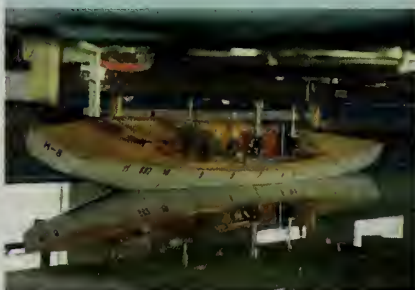
Sailmaking

North Sails in Nevada makes all of this Cup's sails, at \$70,000 a pop. Instead of the old patchwork method, mylar film is pulled taut over a custom mold. A robotic arm layers on carbon fibers, then compresses it all with a hot iron, like a Cuban sandwich.



Hull Design

Full-scale hulls cost \$1.5 million or more, so designers start in software, then build up to 40 quarter-scale models. For testing, the GBR Challenge rented a 900-foot-long tank from the British Royal Navy for up to \$50,000 a week.



Keels and Rudders

Water and wind drag on surfaces the same way, so Craig McCaw hired Boeing to help design the keels, rudders and wings of his boats, and used NASA's wind tunnel in Mountain View, Calif. to study flow. Larry Ellison built his own wind tunnel to test sails.



Navigation

Sailors aim laser rangefinders at competing boats to track their distance, speed and heading. The information is fed into the onboard navigation system and combined with Global Positioning System data to keep an accurate picture of how the boat is doing in the race.



Handheld PCs

Stars & Stripes navigator Peter Isler uses a rugged touch-screen display to fine-tune the boat's performance. It tells him the shortest course to the mark and the right speed under any given conditions, as well as predicting shifts in wind speed and direction.



Masts and Rigging

The mast of an America's Cup boat weighs just 900 pounds, yet can withstand 110,000 pounds of downward pressure exerted by the stays. It's made of carbon fiber and epoxy and baked in an oven at 250 degrees Fahrenheit and three atmospheres of pressure.



Event Series

Half-day event begins at 10am and ends at 12noon.

Atlanta, GA - 11/12
Boston, MA - 11/5
Dallas, TX - 10/22
Denver, CO - 11/5
Detroit, MI (Waltham) - 11/13
Houston, TX - 10/24
Los Angeles, CA (Downtown) - 11/12
Los Angeles, CA (Schaumburg) - 10/16
Miami, FL - 11/13
Minneapolis, MN - 11/12
New York, NY - 11/13
New York, NY - 11/14
New York, NY - 10/22
New York, NY - 10/24
New York, NY - 11/7
New York, NY - 10/17
New York, NY - 11/7
New York, NY - 11/13
New York, NY - 11/5
New York, NY - 11/13
New York, NY (Downtown) - 11/12
New York, NY (Midtown) - 10/22
Philadelphia, PA - 11/14
Phoenix, AZ - 11/7
Providence, RI - 10/16
San Francisco, CA - 10/15
St. Louis, MO - 10/17
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ship, Harrison spent \$350,000 to fly it over in a huge plane that usually carries Russian tanks.

Ellison, McCaw and Allen hatched their Cup dreams back when the Nasdaq was going to infinity. Now, with Oracle shares down 80% from their high and McCaw's XO Communications in bankruptcy, the Cup has become a new chance to prove themselves.

Notorious for exiling lieutenants at Oracle, Ellison has treated his sailors the same way. He bought two AmericaOne boats that Paul Cayard skippered in the 2000 Cup. Ellison then named Cayard to run his sailing operation, supplanting Chris Dickson, but kept the latter on the payroll. Six months later Ellison beached Cayard, too. "They lowered the boom on me," says Cayard. "This is my career. For Ellison, it's just ego and image."

McCaw's OneWorld team has had its travails, too. When he learned that a crew member obtained the specs of Team New Zealand's 2000 entry and sail designs from this year's Prada team, McCaw fired him and notified Cup officials. OneWorld could have been disqualified but was fined \$13,500 and docked a point, the value of one victory at Vuitton; it will take at least 33 points to win the challenger event. Now OneWorld is suing the fired crewman—for allegedly trying to sell McCaw's OneWorld designs to Oracle/BMW and Team Dennis Conner.

Design specs are top secret because the margin of victory—perhaps a seventh of a knot, in a race where the boats average 10 knots—has less to do with skippering than engineering. "In this game, technology is everything," says Kenneth Read, helmsman of *Stars & Stripes*. "We're just along for the ride."

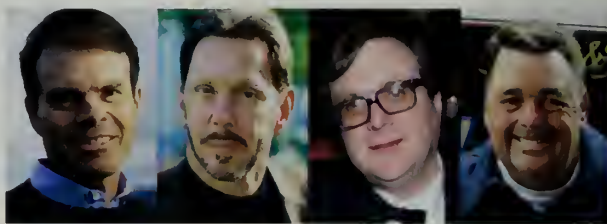
Boat design is still the biggest challenge. A yacht must perform well in a wide range of conditions in both water and air. A boat that screams in light breezes might tilt too much and skid sideways when the wind kicks up to 20 knots. Large rudders make a boat more maneuverable in jockeying for position before

the start but slower in a straight line after the gun.

All syndicates use software to devise the best design for the broadest array of conditions. Then designers choose one and test it in the water, first with scale models and then with full-scale hulls that cost \$1.5 million or more. Weather-prediction programs try to guess where the wind will come from next. Just 30 miles across, New Zealand's Hauraki Gulf can experience strong breezes from the Tasman Sea to the west or the Pacific Ocean to the east, or the wind can die completely as the surrounding land heats up by day. In a two-boat race, the slower boat can obtain a commanding tactical advantage by catching a wind shift first.

Is there such a thing as too much technology? "You can spend \$100 million and piss it away," says yacht designer James Teeters, whose Teeters Yacht Technology in Newport, R.I. has been involved in five Cup campaigns in 20 years.

For the 1992 race, winner William Koch, an heir to the Koch Industries fortune of Wichita, tried to develop a laser-radar instrument that would read the



Race-ready: McCaw, Ellison, Allen, Conner.

wind direction and velocity 3 miles ahead. It never worked and ate \$2 million.

Some sailors long for a simpler era. They have to look pretty far back. J.P. Morgan raised hackles in 1903 by bankrolling *Reliance*, a marvel 200 feet long, featuring a telescoping mast that could rise 199 feet above the water. *Reliance* cost \$175,000 then (\$3.5 million today), an unthinkable sum, and handily beat the British challenger, *Shamrock III*.

"This may be the most technical Cup yet," says Halsey Herreshoff, 68, a yacht designer and grandson of *Reliance* designer Nathanael Herreshoff. "It's always been a technical race, and in each era you use the technology of the time." **F**

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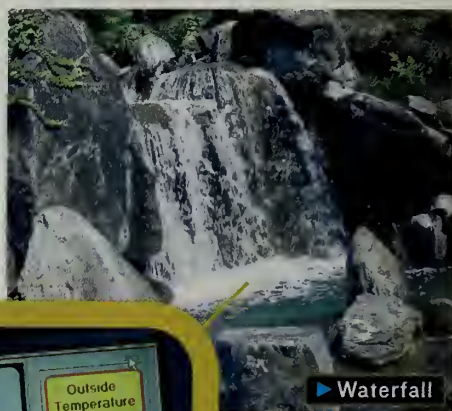
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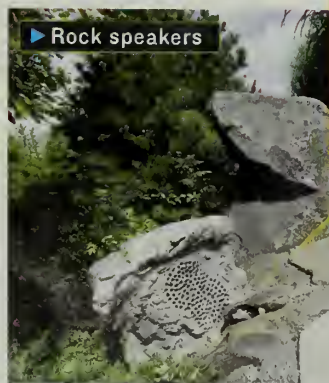
► Lighting



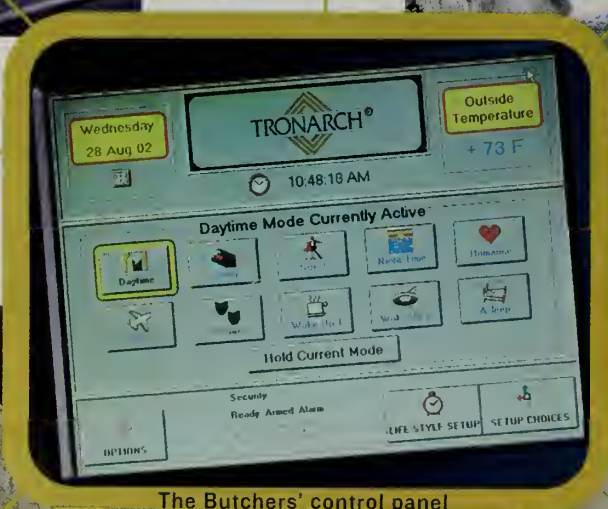
► Waterfall



► Security



► Rock speakers



The Butchers' control panel



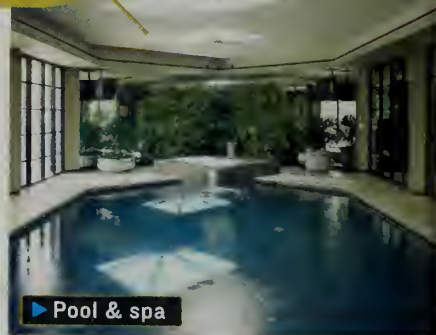
► Thermostat



► Aromatherapy



► Front gates



► Pool & spa

COMMUTING? JON AND MELISSA Butcher must shut down their 26-acre property, turning off the lights and TV sets, locking the front gates, setting the security alarm and shutting off the waterfalls and sound system in their 5-acre Japanese gar-

den. Instead of padding around in their pajamas, they need only press the "Asleep" button on the screen next to their bed and their suburban Chicago estate tucks itself in for the night.

"The objective was to take a very complex, eccentric, 17,000-square-foot

house and make it easier to live in than a trailer," says Jon D. Butcher, chief executive of Precious Moments, maker of cutesy cherub statuettes sold in greeting-card stores.

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Source: Gartner, "How Web Services Mean Business," W. Andrews, D. Plummer, D. Smith, May 9, 2001

Microsoft®

estates with the slickest new technologies. For a few grand, a basic system can control thermostats, lighting and security. For \$100,000 to \$200,000, a handful of outfits, such as CyberManor in San Jose, Calif., can lay Ethernet wiring inside the walls to zip digital photos to flat-panel screens upstairs and down, or get the hot-tub heater going via a Web browser.

But what the Butchers ordered from ISR Inc. borders on the ridiculously cool—damn the expense. ISR's owner, Keith Rich, cringes when his systems get lumped in with other smart-home technologies: "Smart home is a bad word. That's the toy you buy at Radio Shack."

One client asked ISR to illuminate his backyard with an elaborate fiber-optic display starring Disney characters. Another client wanted his bed to rise slowly to his bedroom skylight so he could sleep under



The Butchers' Ponderosa.

"Smart home is a **BAD WORD**. That's the toy you buy at Radio Shack."

the stars. For the Butchers, ISR installed a \$1.5 million system that monitors or controls just about everything with touchscreens scattered throughout the property.

And the extras! Jon Butcher wanted to offset the sweat in his 8,000-square-foot home gym and spa with the scent of fresh laundry, so he had electrostatic aromatherapy sprayers hooked up that fire "China Rain" every ten seconds. These devices also are used to perfume the lobbies of Las Vegas hotels. "It's not Fantasyland, it's not Disney World—it's what our clients are building," Rich says.

Privately held ISR is an offshoot of Rich Inc., a family business that got its start in 1949. The Riches wired Chicago's Union Station and the Sears Tower, and ISR still does 30% of its business with companies such as Motorola and General Electric. Most of its work is for "the wealthiest 0.001%, give or take a tenth of a percent," says Rich. Projects typically cost \$1 million to \$1.7 million. Clients own \$30 million to \$140 million estates, and Rich figures about 1,000 new ones get built in the U.S. every year. He refers to them as the "Ponderosa of North

America," multiple-building properties so big they require commercial subsystems for power, heating and cooling, and the industrial-strength technologies to support them. "You're not going to tie in a \$1 million heating-and-cooling system to a \$250 piece of software that you can buy on the Internet," he says.

Rich has done more than 100 sites and lands 25 to 30 new projects a year, most of them by word of mouth. He woos prospects at Rich Harvest Farm, his own 2,000-acre, 25-building Ponderosa in Sugar Grove, Ill., complete with a private 18-hole golf course.

His firm should gross an estimated \$50 million this year. Most projects start before construction begins; cables and wires have to snake throughout the client's property, so existing estates are bad for business. Eventually, says Rich, indoor wireless networking will be reliable enough for ISR to outfit existing homes, too.

Most jobs are so intricate that ISR project managers must know their clients' habits and preferences inside and out. Clients are given a 50-point questionnaire: Do you like to watch TV while get-

ting ready for work? (ISR created a waterproof shield for a plasma-screen TV so a client could watch CNBC in the shower.) Do you entertain often? Watch many movies? Programmed "modes" are then created; a romantic mode dims the lights, ignites the fireplace and plays Sinatra.

So far, Rich says, these systems have been free of viruses or hacker intrusions. An ISR team works solely on virus and firewall software; the firm also guarantees that a technician will show up within two hours should anything go awry.

Some fancy tricks don't pan out. Weight sensors, which would signal the shades to open and the lights and music to turn on when someone enters a room, didn't take off because the system operated even if a person was merely dashing in for a moment. Other ideas are big winners, such as providing remote access to the home through handheld organizers and the Web to let jet-setters observe their homes from 3,000 miles away through a security camera, or turn up the heat at the ski chalet in Aspen.

Rich's clients always ask how solid his company's finances are, wary that ISR could go under and they won't know how to run their homes' fancy systems. "We're here forever," he promises. Just in case, he offers clients the option of on/off switches. How old-fashioned is that? **F**

Over coffee, the editor of a major automotive enthusiast magazine suggested that his publication might someday become irrelevant. Not today, not tomorrow, but someday, he said.

"Years ago, people needed us to tell them which cars were good and which cars were bad," he said. "But there really aren't any bad cars and trucks right now. I'm afraid that someday the differences will be so minor that people won't really need us to tell them what to drive."

Automotive Innovation

By Steven Cole Smith



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Never think great is good enough.
NEVER FOLLOW.™*

estates with the slickest new technologies. For a few grand, a basic system can control thermostats, lighting and security. For \$100,000 to \$200,000, a handful of outfits, such as CyberManor in San Jose, Calif., can lay Ethernet wiring inside the walls to zip digital photos to flat-panel screens upstairs and down, or get the hot-tub heater going via a Web browser.

But what the Butchers ordered from ISR Inc. borders on the ridiculously cool—damn the expense. ISR's owner, Keith Rich, cringes when his systems get lumped in with other smart-home technologies: "Smart home is a bad word. That's the toy you buy at Radio Shack."

One client asked ISR to illuminate his backyard with an elaborate fiber-optic display starring Disney characters. Another client wanted his bed to rise slowly to his bedroom skylight so he could sleep under



The Butchers' Ponderosa.

"Smart home is a **BAD WORD**. That's the toy you buy at Radio Shack."

the stars. For the Butchers, ISR installed a \$1.5 million system that monitors or controls just about everything with touch-screens scattered throughout the property.

And the extras! Jon Butcher wanted to offset the sweat in his 8,000-square-foot home gym and spa with the scent of fresh laundry, so he had electrostatic aromatherapy sprayers hooked up that fire "China Rain" every ten seconds. These devices also are used to perfume the lobbies of Las Vegas hotels. "It's not Fantasyland, it's not Disney World—it's what our clients are building," Rich says.

Privately held ISR is an offshoot of Rich Inc., a family business that got its start in 1949. The Riches wired Chicago's Union Station and the Sears Tower, and ISR still does 30% of its business with companies such as Motorola and General Electric's NBC. Most of its work is for "the wealthiest 0.0001%, give or take a tenth of a percent," says Rich. Projects typically cost \$1 million to \$1.7 million. Clients own \$30 million to \$100 million estates, and Rich figures about 1,500 new ones get built in the U.S. every year. He refers to them as the "Ponderosas of North

America," multiple-building properties so big they require commercial subsystems for power, heating and cooling, and the industrial-strength technologies to support them. "You're not going to tie in a \$1 million heating-and-cooling system to a \$250 piece of software that you can buy on the Internet," he says.

Rich has done more than 100 sites and lands 25 to 30 new projects a year, most of them by word of mouth. He woos prospects at Rich Harvest Farm, his own 2,000-acre, 25-building Ponderosa in Sugar Grove, Ill., complete with a private 18-hole golf course.

His firm should gross an estimated \$50 million this year. Most projects start before construction begins; cables and wires have to snake throughout the client's property, so existing estates are bad for business. Eventually, says Rich, indoor wireless networking will be reliable enough for ISR to outfit existing homes, too.

Most jobs are so intricate that ISR project managers must know their client's habits and preferences inside and out. Clients are given a 50-point questionnaire: Do you like to watch TV while

ting ready for work? (ISR created a waterproof shield for a plasma-screen TV so a client could watch CNBC in the shower.) Do you entertain often? Watch many movies? Programmed "modes" are then created; a romantic mode dims the lights, ignites the fireplace and plays Sinatra.

So far, Rich says, these systems have been free of viruses or hacker intrusions. An ISR team works solely on virus and firewall software; the firm also guarantees that a technician will show up within two hours should anything go awry.

Some fancy tricks don't pan out. Weight sensors, which would signal the shades to open and the lights and music to turn on when someone enters a room, didn't take off because the system operated even if a person was merely dashing in for a moment. Other ideas are big winners, such as providing remote access to the home through handheld organizers and the Web to let jet-setters observe their homes from 3,000 miles away through a security camera, or turn up the heat at the ski chalet in Aspen.

Rich's clients always ask how solid his company's finances are, wary that ISR could go under and they won't know how to turn off their homes' fancy systems. "We're not going to let that happen," he promises. Just in case, he offers the option of on/off switches. "The old-fashioned is that?" **F**



ADVERTISEMENT

Audi

A Heritage of Making History

When the checkered flag fell at Le Mans on June 16, three Infiniti Audi R8 race cars finished first, second and third, giving Audi its third straight Le Mans victory and permanent possession of the coveted trophy.

And a permanent place in motorsports history.

It was not the first time Audi has rewritten the records or used its passion for innovation to once again raise the bar. Since 1899 Audi has been making history. Both on the racetrack and off.

In 1911, Audi founder August Horch piloted the car he designed across the finish line of the International Austrian Alpine Run, winning the Driver's Trophy after negotiating 2,250 kilometers of tough mountain passes and alpine roads. For the next three years, a full team of Audi cars entered, and each year they won using arguably the most advanced engine and body construction of the era — including a pioneering use of aluminum, when others used cast iron. By 1914, the vaunted Alpine Cup was retired. There was no competition for the Audi.

During the 1930s, the Audi Silver Arrows, powered by sophisticated V-12 and V-16 engines mounted in the rear of the car, instead of the front, dominated Grand Prix racing. The Silver Arrows stepped up to the starting line in 54 races, won 32 and set 15 world records in the process.

As Audi accelerated into the modern era, motorsports moved with it.

As it had since the beginning, technology developed for the racetrack, and proven under the toughest possible conditions, transferred to the Audi passenger cars.

This has never been truer than with the revolutionary quattro all-wheel-drive system, introduced in 1980. Until then, few realized what a safety and performance advantage the quattro all-wheel-drive system provided, or how durable and rugged it is, be it on the road in a sports coupe or on the track in fender-to-fender competition.

Winning three rallies in 1981, Audi quattro took the Manufacturer's World Championship trophy in 1982 and 1984. On this side of the Atlantic, Audi conquered the 1982 Pikes Peak Hill Climb, winning the Open Rally class, and dominated for the next six years.

In 1988, Audi entered the Trans-Am series, ruled by V-8-powered, rear-wheel-drive American cars. The Group 44 Audi quattro drivers



In every Audi, technology proven in racing has found its way into the cars you can buy today.



www.reg3seleebure.com

Hurley Haywood, Hans Stuck and Walter Roehrl combined for eight wins, 19 top-five finishes. In its debut season in Trans-Am, Audi won the Manufacturer's Championship.

For the 1996 season in Europe, Audi took its popular A4 model and entered it in Super Touring Cup competition. The Audi A4 quattro won seven national championships in the European Super Touring Cup. In the subsequent years, quattro was banned from Super Touring racing after being declared an "unfair advantage," an advantage that is available across the entire Audi model range today.

In the current SCCA Speed Channel GT Series, driver Michael Galati, in an Audi S4, is defending his 2001 championship, as Audi defends its GT Manufacturer's Championship. The racing version of the S4 is remarkably close to the street version, down to its quattro all-wheel-drive, twin turbochargers and five-valve technology, when other cars use engines with four, three or even two valves. Others are two-door coupes. Audi races its four-door sedan and wins.

Undeniably, the Audi modern-era crowning achievement is the 24 Hours of Le Mans, the most grueling, prestigious test of man and machine yet devised. In 1999, Audi entered four brand-new cars and stunned the racing world with a third- and fourth-place finish. Few, then, were surprised when Audi finished first, second and third in 2000, backing that up with a first and second in 2001, then the first, second and third this year — the "hat trick" that allowed Audi to keep the trophy. That has not happened for decades.

And Audi isn't through: The drivers who won Le Mans are leading the American Le Mans Series in North America, winning five of the first seven races, including the 50th Annual 12 Hours of Sebring for the third straight time. The final round of the 10-race series is the Petit Le Mans presented by Audi, which will take place October 10-12 at Road Atlanta. The race will last 1,000 miles, or 10 hours.

Few companies fuse racing technology with luxury car technology as successfully as Audi. In every Audi, from the daring TT Coupe to the 360-horsepower S8, from quattro all-wheel-drive to five-valve, biturbo engines, technology proven in racing has found its way into the cars you can buy today. Proving again how Audi constantly seeks to raise the bar. To bring innovations that are as relevant to everyday drivers as they are to people seeking every advantage in the heat of competition.

The Audi philosophy, both on the track and off, is governed by five principles:

Never quit.

Never do the expected.

Never rest on your laurels.

Never think great is good enough.

NEVER FOLLOW.

Follow the balance of the 2002 Audi racing season at www.audiusa.com.

Enter the Driving to Victory Sweepstakes

Audi celebrates its commitment to excellence with the Driving to Victory sweepstakes. Enter to win by visiting www.drivingtovictory.forbes.com where you will have the opportunity to answer questions about the Le Mans Series in the Audi special advertising sections. There will be two questions posted per advertorial unit, for a total of six questions. Entrants who answer at least one of the six questions correctly will be eligible to win one of two first prize trips to the Audi Driving Experience in Atlanta. Entrants who answer all six questions correctly will be eligible to win the grand prize of an all-expenses-paid trip for two to the 2002 24 Hours of Le Mans, with accommodations at the Forbes Château de Ballerup and an Audi vehicle for transportation.

No purchase necessary. Promotion ends 12/31/02. Open to U.S. residents, 21 and older. Void in Fla. See www.drivingtovictory.forbes.com for complete Official Rules.



*Never quit.
Never do the expected.
Never rest on your laurels.
Never think great is good enough.
NEVER FOLLOW.™*

Automotive Innovation

That day hasn't arrived — there may be no bad cars and trucks, though some are decidedly more advanced than others — but automotive innovations have progressed at such a startling pace that the benchmarks in safety, performance, reliability and creature comforts ratchet up annually. Since the late 1940s, each successive decade has brought compounding progress in vehicle design and implementation.

Arguably the most amazing aspect of this is that for the vast majority of gains, nothing was sacrificed. Engines produce more horsepower, yet get far better fuel economy, produce much less pollution and last longer, but with less maintenance. Vehicles are dramatically safer in crashes, but did not gain weight or require reductions in comfort to do it. Braking and handling are better — after all, the best kind of

crash protection is to avoid a wreck — but the ride has improved too. And somehow, through it all, the fun factor remains. Whatever type of driving you enjoy, a vehicle is available to suit your needs.

It's true: Cars, trucks and sport utility vehicles have never been better.

But some manufacturers continue to lead, while others follow.

These are the leaders.

Chevrolet Corvette: The First 50 Years

Expectations were not exactly sky-high when the first Chevrolet Corvette rolled off a makeshift assembly line in Flint, Mich., in June 1953. That year's Corvette was powered by a six-cylinder "Blue Flame" engine that had more in common with Chevy's truck lineup than any sort of high-performance cars. The only transmission available was a two-speed Powerglide automatic.

Chevrolet built only 300 Corvettes for 1953, all white, all with red interior. In 1954, Chevy built 3,640 Corvettes, but sales remained tepid, and the Corvette's future was in doubt.

Then, in 1955, the Corvette received a V-8 engine, and slowly momentum



2003 Chevrolet Corvette 50th Anniversary Convertible

Arguably the most amazing aspect of this progress in vehicle design and implementation is that for the vast majority of gains, nothing was sacrificed.

began to build. Also in 1955, Ford introduced the Thunderbird, and the race was on. The Thunderbird lasted only three years before it moved to the larger, heavier luxury-car category, but the Corvette remained true to its original vision: a two-seat performance sports car.

And so it is, 50 years and about 1.2 million Corvettes later. The present Corvette is referred to as the C5, for Corvette, fifth generation. The 2003 Corvette is undeniably the most advanced model ever, and, as you might expect, the limited-edition 50th Anniversary model is virtually guaranteed to be a collector's item.

Available as a coupe or a convertible, the anniversary model is painted "Anniversary Red," with a shale-colored leather interior. The five-spoke alloy

wheels are tinted in a champagne color. The seats and floor mats are embroidered with the anniversary logo, and subtle badges in the front and rear identify all 2003 Corvettes as something special.

Chevrolet offers a considerable amount of standard equipment to Corvettes for 2003. The list includes fog lights, sport seats, a power-operated passenger seat, dual-zone climate control, and a parcel net and luggage shade on the Corvette coupe.

Mechanically, the most notable new feature for 2003 is Magnetic Selective Ride Control, which is standard on the Anniversary Edition, available on other Corvettes. It's a genuine breakthrough in ride and handling, and must be experienced to be believed.

Magnetic Selective Ride Control uses shock absorbers with special liquid in them called Magneto-Rheological fluid. This fluid responds to magnetic impulses from an electromagnetic coil located inside each shock absorber. Based on those impulses, the fluid can become thicker or thinner.

It's common knowledge that a soft suspension gives a car a smooth ride, but not the best handling characteristics. A firm suspension improves handling, but the penalty is typically a rough ride. With Magnetic Selective Ride Control, each shock absorber responds to instructions from an onboard computer that monitors each wheel. It can not only adjust the suspension's firmness, but it can make those near-immediate adjustments to each wheel, separate from the others.

For example: You're driving along in a straight line and suddenly must swerve to miss an obstacle. That's when you want the firmest suspension you can get. The Magnetic Selective Ride Control not only adjusts the shock absorbers for maximum control, but the system works in computerized concert with the antilock brakes and traction control. And it does so with no small moving parts. During normal driving Magnetic Selective Ride Control smoothes out bumps, potholes and rough pavement with no reduction in performance ability. The difference is remarkable.

Speaking of performance, the Z06 model Corvette remains in the lineup for 2003, with a level of power, comfort and agility unmatched for the price. The Z06's

2003 Chevrolet Corvette 50th Anniversary Coupe



CHEVROLET

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or Delphi, there is no road not taken.

may know Delphi as the world's leading provider of automotive technology.

we don't stop there. Our technology is showing up in ATVs, motorcycles,

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DELPHI

iving Tomorrow's Technology

It was fitting, then, that Jeep named the most advanced model ever of its Grand Cherokee flagship the Overland, a salute to the company's origin nearly a hundred years ago.

5.7-liter V-8 engine pumps out 405 horsepower, yet gets the same EPA-rated fuel mileage as other 350-horsepower Corvettes equipped with the six-speed manual transmission: 19mpg in the city, 28mpg on the highway. Non-Z06 Corvettes, including the anniversary edition, give you the choice of the six-speed manual transmission or a four-speed automatic.

The Corvette is, and will remain, Chevrolet's flagship. "Few vehicles have had the staying power of Corvette," says Rick Baldick, Corvette's marketing director. "We believe much of that success comes from a willingness to embrace advancing technology, while we remain true to Corvette's golden history."

Owners and fans of the Corvette will spend much of the next year celebrating that golden history. Caravans from all over the country will converge at the Corvette factory in Bowling Green, Ky., and nearby Nashville, Tenn., with festivities set for the last week of June 2003. There will be parties, parades, displays and concerts. Throughout the year, the National Corvette Museum, located next to the factory in Bowling Green, also will be hosting multiple celebrations.

This is truly a genuine American success story, all of which started 50 years ago with the tentative, hopeful production of 300 white Corvettes, powered by a 150-horsepower, hopped-up truck engine.

Oh, and if you happen to have a 1953 Corvette? Experts suggest it may be worth anywhere from \$80,000 to \$185,000.

Jeep® Grand Cherokee Overland: Reaching Back for the Name, Forward for the Technology

Though the Jeep® Grand Cherokee Overland is as modern as any sport utility vehicle on the road, its name is steeped in company history.

Indulge us for a moment: In 1903, the Standard Wheel Company of Terra Haute, Ind., a well-regarded bicycle manufacturer, decided the future was in four-wheeled vehicles, not two, and the company added the Overland Automotive Division. A decade later the Willys-Overland Company was formed, and began building a versatile little car called the Whippet — like the canine it was named for, it was small but fast.

Willys-Overland made only a moderate impact on the automotive scene until 1940, when the company began building military Jeep vehicles. The name "Jeep" was taken from the government designation for the vehicle — "GP" — which most say stood for "General Purpose," but others insist stood for "Government," with the "P" as a model designation.

Suddenly, Willys-Overland was the Jeep company. In 1945, it began building a Civilian Jeep — hence the name CJ, applied for decades to traditional Jeep products.

Jeep was acquired by Chrysler in 1987, and Daimler-Benz merged with Chrysler in 1998. Under Daimler-Chrysler's stewardship, Jeep continues to prosper, particularly with the increasingly innovative technology that the company is developing.

It was fitting, then, that Jeep named the most advanced model ever of its Grand Cherokee flagship the Overland, a salute to the company's origin nearly a hundred years ago. There's a lot of heritage in the Jeep brand.

When the Grand Cherokee was introduced as a 1993 model, it rocked the sport-ute world. Never before had such a stylish, handsome vehicle been able to



side an excellent ride and crisp handling on paved roads, yet have the ability to tackle the back country, a non-negotiable Jeep trademark. The Grand Cherokee was proof that "rugged, luxurious and comfortable" could be applied to a single vehicle.

Like many Jeep vehicles before it, the new Jeep Grand Cherokee revolutionized the way customers thought of 4x4s," says

Jeff Bell, vice president of Jeep. "It continues that tradition by offering customers features they would expect to find in luxury sedans, but with legendary Jeep capability and performance."

The 4.7-liter, V-8 engine that has become a powerhouse of the Chrysler fleet debuted in the totally redesigned 1999 Jeep Grand Cherokee, and it has continued to be updated for more power,

smoothness and reliability. The Overland comes standard with the new 4.7-liter, Power Tech® V-8 High-Output engine, with 265 horsepower and a whopping 325 lb.-ft. of torque. That represents a 15% increase in horsepower and a 12% increase in torque over the already gutsy 4.7-liter Power Tech V-8.

Mated to the tough 545RFE five-speed automatic transmission, which provides a



Tahoe engineers, designers and product planners take that “go-just-about-anywhere” concept literally.

second overdrive gear, the powertrain sets a new standard for its combination of excellent acceleration and pulling power, low noise and good fuel economy.

But that is only the beginning of the Overland story. It features the award-winning QuadraDrive® system, which combines the QuadraTrac® II transfer case with the Vari-Lok® axles for full-time all-wheel drive that is equally capable on slick pavement or in challenging off-road situations.

Unlike premium SUVs, the Overland is no off-road pretender, proven by its high-range and low-range gearing in the transfer case. The Vari-Lok axles use progressive, hydromechanical, speed-sensing torque transfer couplings in the front and the rear. The system is capable of sending nearly 100% of available torque to just one wheel, if necessary, should the onboard computer determine that the other three wheels have lost traction.

Though the Overland is as well appointed inside as any luxury car, it has everything you need to handle treacherous trails, from extra undercarriage skid plates, to the heavy-duty Up-Country suspension group, to big, P235/65R-17 all-terrain radials on machined-rim aluminum wheels.

Though the Overland is more than willing to go off-road, it will take you there in style. The suede and leather-trimmed seats complement redwood burl wood trim. An Infinity stereo with a 10-disc CD changer is standard, as are rain-sensing front windshield wipers that can auto-

matically activate when it rains; side-curtain air bags, heated 10-way power front seats, a power sunroof and a wood and leather-wrapped steering wheel.

Jeep Grand Cherokee was the first SUV to offer a tire-pressure monitoring system with the 2002 model. This system uses sensors mounted in the valve stem of each tire to transmit information to the overhead console.

Also available are adjustable brake and accelerator pedals that make driving safe and comfortable for individuals of varied heights. The pedal heights are incorporated into a “his-and-hers” memory feature, which also includes personalized seat position, sound system and outside mirror settings.

You would never know by looking that a piece of Willys-Overland history is contained in the DNA of every Grand

Cherokee, especially this top-of-the-line Overland model.

But steer it off the road and onto the first muddy trail, the first rock-strewn path or the first slippery incline — it’ll remind you.

Chevy Tahoe: Equipped to Go Just About Anywhere

Since the Chevy® Tahoe® was the best-selling large SUV in America for 2001, you’d think the company might be tempted to sit back and enjoy the success.

You’d be wrong.

“The Tahoe is constantly being refined,” says Rick Scheidt, Tahoe marketing director. “New safety features such as available StabiliTrak® and available creature comforts like second-row bucket seats and power-fold mirrors just enhance it.”



2003 Chevy Tahoe LS

**ZERO TO "I'LL TAKE IT"
IN FIVE SECONDS.**



The Impala® LS Sport Appearance Package. It'll take you all of five seconds to decide you absolutely love its sporty looks, plus the awesome power of its 200-hp 3800 V6 engine. And that includes two seconds to figure out how you're going to explain buying it to your significant other. chevy.com or 1-800-950-CHEV

IMPALA  WE'LL BE THERE

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role as a durable, capable, go-just-about-anywhere vehicle."

Tahoe engineers, designers and product planners take that "go-just-about-anywhere" concept literally. With available four-wheel drive, the Tahoe is an exceptionally capable vehicle. Properly equipped, the Tahoe can tow as much as 7,700 lbs.² And if you're serious about off-roading, the Z71[®] Package generously provides a specially tuned suspension, a locking rear differential, big P265/70R-17 on/off-road radial tires and underbody skid plates to protect

against rocks, roots or anything else Mother Nature offers up.

But to be a genuine "go-just-about-anywhere" vehicle, an SUV must do far more than tackle the trails. It must be able to carry a lot of people and still have room to store whatever those people bring along. If you equip it with three bench seats, the Tahoe can hold nine people, or without the available third-row seat, it can hold a cavernous 104.6 cubic feet of cargo when the second-row seat is folded. And it must be safe and comfortable enough to effort-

lessly travel cross-country. With a choice of a 275-horsepower, 4.8-liter V8, or a 285-horsepower, 5.3-liter V8, acceleration is excellent, even with a full load.

The aforementioned StabiliTrak³ is a sophisticated stability-enhancement system available on two-wheel-drive and four-wheel-drive LS and LT models with the 5.3-liter V8 engine. It uses multiple sensors to monitor the Tahoe's path, measuring steering angle, wheel speed, brake pressure and lateral and longitudinal acceleration. All of this data is fed to a central computer. I

2003 Chevy Tahoe LT



With available four-wheel drive, the Tahoe is an exceptionally capable vehicle.

computer senses that something is wrong — such as a sudden sideways slide on slick pavement, for instance — the computer seamlessly engages the appropriate lock brake and adjusts engine torque to bring the vehicle back in line.

For 2003, all of the details also have been addressed. The Tahoe has an array of available entertainment systems, such as XM Satellite Radio⁴ receiver, which, when you subscribe to the service, allows you to tune in to 100 satellite-delivered radio stations, presently featuring 71

music channels and 29 channels of sports, talk, news and children's programming.

Even the standard stereo features the Radio Data System (RDS)⁵, which enables the radio to display a variety of text descriptions, such as traffic, music type and even construction updates.

There's also an available custom-designed Bose speaker system and a DVD passenger entertainment system, which allows rear-seat passengers to view DVDs on a flip-down color screen — ideal for entertaining kids on long road trips.

Additional safety innovations include available adjustable foot pedals with a memory, which allow just the right pedal position for tall and short drivers. Also new for 2003: a Passenger Sensing System and dual-level front air bags.⁶ Under certain conditions, the Passenger Sensing System automatically activates or deactivates the right-front passenger front air bag based on the weight of the occupant.

The Tahoe also can be equipped with OnStar⁷, the state-of-the-art, satellite-linked communications system that connects you to a live adviser in the event of an emergency⁷, or simply allows you to ask for directions to the nearest restaurant or gas station⁸. In a serious crash, OnStar — with no required input from the driver or passengers — can pinpoint your location and dispatch emergency help. OnStar can even read your e-mail to you.⁹ A new eight-button steering wheel is available that can operate not only OnStar, but also the sound system and Driver Information Center, without

requiring the driver to take his or her eyes off the road.

The enhanced Driver Information Center can report on numerous vehicle functions, in English, Spanish or French. Even the available exterior mirrors have been improved for 2003: They have power-tilt glass and a power folding capability, to protect them in tight spaces or off-road. They are heated to clear ice and frost, have built-in turn signals for added safety and the driver-side mirror has an electrochromic dimming feature for rear-approaching, glaring headlights.

1. Based on R.L. Polk & Company CYE 2001 Large Utility Segment for total registrations.

2. Maximum trailer weight ratings are calculated assuming a base vehicle, except for any option(s) necessary to achieve the rating, plus driver. See your Chevy dealer for additional details.

3. Not available on Z71, rear locking differential or Autotrac.

4. XM is available only in the 48 contiguous states. Activation fee and service subscription are extra.

5. RDS functions only when stations broadcast RDS information.

6. Always use safety belts, even with air bags. Even with the Passenger Sensing System, children are safer when properly secured in a rear seat. See the Owner's Manual for more safety information.

7. One year Safe & Sound plan is standard in Z71, included in the available Personal Security Package on LT and available on LS. Call 1-800-ONSTAR-7 or visit onstar.com for system limitations and details.

8. Requires Directions & Connections Plan.

9. Existing OnStar service contract and prepaid Personal Calling minutes are required. Required OnStar voice recognition system may not work with all voices. Available in select markets.

Bose is a registered trademark of the Bose Corp. The XM name is a registered trademark of XM Satellite Radio Inc.

OnStar is a registered servicemark of OnStar Corp. Buckle Up, America!



“The new Range Rover is truly the most capable vehicle in the world and is pacing the change at Land Rover, which will set sales records this year.” says Mike O’Driscoll, president of Aston Martin, Jaguar and Land Rover.

Range Rover:

When You Want It All

When the Ford Motor Company took over Land Rover, purists were concerned, and probably with good reason: Could an American company possibly understand, appreciate and maintain the British traditions that made the company the world standard for sport utility vehicles — decades before the term “sport utility vehicle” was even coined?

If there was any doubt before that this marriage has succeeded beyond both companies’ wildest dreams, the introduction of the 2003 Range Rover

and 2003 Discovery erased any vestige of that doubt. Both products are new and were developed using a level of resources that the tiny Land Rover company could never, on its own, have brought to bear. The investment on the redesign of the 2003 Range Rover alone exceeded \$1 billion.

The Range Rover and the Discovery are genuine Land Rovers, and far better for the association with Ford than they’ve ever been before.

The success is showing. The 2003 Range Rover went on sale June 1, and promptly bested the previous one-month

Range Rover sales record by 150%. “We had a string order bank at launch, based on very positive press coverage and strong word of mouth,” says Richard Beattie, executive vice president of sales and marketing for Range Rover and sister company Jaguar, which also has benefited immeasurably from the association with Ford. “The interest has steadily grown now that more people have seen and driven it. We knew we had a winner; but the reaction has been amazing.”

“I’ve been in this business more than 30 years, and I’ve never seen such interest in any product,” says Alex Bologna

2003 Range Rover



SOMEWHERE BETWEEN PRACTICAL
AND "WHO'S YOUR DADDY?"



One-year OnStar Safety and Security service agreement included, as standard on Tahoe LT and Z71. Call 800-ONSTAR 7 for system limitations and details. ©2001 OnStar Corp. All Rights Reserved. ©2001 GM Corp. Buckle up, America!

OnStar
ON BOARD

With gas-charged shocks, skid plates, 17" off-road tires and roof rack with roller, the Chevy® Tahoe® Z71® is designed for your average everyday use. Like car-pooling through Patagonia on your way to Mount McKinley with a stop in Moab along the way. And with the security of OnStar,® no matter how challenging your commute, you're always covered for the trip. Call 800-950-2438 or visit chevy.com

TAHOE Z71

THE ALL-TERRAIN Z71



LIKE A ROCK

general manager of Hornburg Land Rover in Los Angeles, a dealership that counts multiple celebrities among its clientele.

Land Rover has one of the hottest products out there right now: the 2003 Range Rover. Launched in June, the 282-horsepower, 4.4-liter premium SUV has won "Best Luxury SUV" designation from *Car and Driver* and "America's Best SUV" from *AutoWeek*. At a price of \$71,200 (at the time of publishing) this SUV has all the Land Rover capability you could ever use, thanks to permanent four-wheel drive, five-speed CommandShift automatic transmission and a host of electronic traction aids including Dynamic Stability Control. The interior has been called "the most beautiful in any kind of vehicle." From Manhattan to Monte Carlo and Morocco to Malibu, Range Rover is known the world over as the premium SUV. Scheduled maintenance is free for four years or 50,000 miles. EPA fuel economy is 12mpg city/17mpg highway.

The Discovery for 2003 gets a 4.6-liter, 217-horsepower V-8 from last year's Range Rover, a new front-end appearance similar to its big brother the new Range Rover and a host of refinements. The stepped roof and stadium seating have long been a hit with passengers who like the headroom and airy feeling. Now you can also get a DVD player in the S and SE versions, while the HSE has a neat in-dash navigation system whose display is part of the radio face. Discovery has all the Land Rover off-road capability you'd expect from the brand, including Hill Descent Control and

four-wheel electronic traction control. The Discovery can be had in both five- and seven-seat versions. More than 365 refinements have been made this year, with major attention toward improved quality. Discovery has an MSRP starting at \$34,350 with free scheduled maintenance and 24-hour road recovery. EPA fuel economy is 12mpg city/16mpg highway.

Rounding out the Land Rover lineup is the Euro-chic Freelander. This all-wheel-drive, premium small SUV has the handling of a European sports sedan, thanks to independent suspension and rack-and-pinion steering, a 174-horsepower, 2.5-liter V-6 and a five-speed, CommandShift automatic transmission. Land Rover developed and patented Hill Descent Control for use on this vehicle. It may not have a transfer case and low range, but the Freelander has the ability to get you through muck, snow and unpaved roads with confidence. There's more than 46 cubic feet of cargo space as well. It's a great all-weather utility vehicle that can be bought with an in-dash navigation system in the HSE version. Freelander starts at \$24,975 with air-conditioning, keyless remote entry and an in-dash CD player. EPA fuel economy is 17mpg city/21mpg highway.

"We've been amazed at the response to the new Range Rover, which has had unprecedented demand," says Mike O'Driscoll, president of Aston Martin, Jaguar and Land Rover. "It is truly the most capable vehicle in the world and is pacing the change at Land Rover, which will set sales records this year. The fac-

tory and management have put the highest priority on improving manufacturing processes and achieving quality targets. The Discovery for 2003 is a solid, midsize, family four-by-four that now shares the look of the Range Rover, while Freelander appeals to driving enthusiasts who need all-wheel drive security but with plenty of flair. Together, Land Rover and Jaguar will sell more than 110,000 vehicles in the U.S. this year."



CHEVROLET

The new Impala lives up to its performance legacy in a way that's right for today," says Ed Hufnagle, chief engineer for the Impala.

Chevrolet Impala: Stage With Horsepower

The 2003 Impala builds on the legacy of a terrific car," says Jim Campbell, Impala marketing director. "Americans have owned them and they continue to love Impala by making it one of the top-10 best-selling passenger cars in the country."

The Impala traces its heritage to 1958, when the marque was introduced as a car that combines luxury, perfor-

mance and style. Nothing has changed. In the mid-1990s, the Impala name was dropped, pending an all-new car that deserved the name. That car arrived for the 2000 model year.

"The new Impala lives up to its performance legacy in a way that's right for today," says Ed Hufnagle, chief engineer for the Impala. "It's a balanced approach that says great powertrain performance can coexist with impressive fuel econo-

my. It proves that a roomy, six-passenger sedan also can be very agile. And it's a testament that superb brake performance is no longer the sole property of the Europeans. This Impala is a totally new breed."

The Impala shares its underpinnings with the Monte Carlo, taking that coupe's performance and handling and incorporating them into a four-door sedan that provides generous head, leg



2003 Chevrolet Impala LS

It's on the highway, where it can stretch its legs — and you have room to stretch yours — that the Impala feels most at home.

and hip room for five or six adults, depending on the seating configuration you choose. And there's still 18.6 cubic feet of trunk space.

Yet the Impala's innovative packaging gives it an overall length of 200 inches, less than all but a handful of full-size cars. The Impala is roomy on the inside and gives large-car comfort, but has the grace and agility you might expect from a midsize car.

The National Highway Traffic Safety Administration gives the 2002 Impala five stars in front crash tests — the highest rating possible — for both the driver and front passenger. Of course, the Impala has met the federal head impact criteria since this model was introduced.

At least as important as a car's perfor-

mance in crash testing, though, is the presence of features that help to avoid a crash. Power-assisted four-wheel disc brakes are standard. Steering is power rack-and-pinion, with only 2.9 turns required to go lock-to-lock. Suspension is independent MacPherson struts at all four corners, with a 32mm hollow stabilizer bar up front and a 14mm solid stabilizer bar in the rear. Both Impala models — the sedan and the LS — get 16-inch, 60-series radials, mounted on aluminum wheels.

In all, there are more than 100 standard safety and security features in the 2003 Impala, ranging from a passive theft-deterrent system to battery rundown protection. The LS model has even more standard safety and security features

such as all-speed traction control and four-wheel disc brakes with a four-wheel antilock brake system.

Under the hood, there's a choice of two power plants: A 3.4-liter, 180-horsepower V-6, and the highly acclaimed 3.8-liter, 200-horsepower V-6. The transmission used on both models is the responsive, smooth-shifting 4T65-E four-speed automatic which contains long-life transmission fluid that, under normal driving conditions, should not require replacement for up to 100,000 miles.

Both of the overhead-valve V-6 engines are designed for long life, crisp performance and ease of maintenance. Both versions have platinum-tipped spark plugs, extended-life engine coolant, advanced fuel injection and a "limp-home mode." This actually cuts power to the engine in the event of sudden coolant loss to prevent further damage, but still has enough power for the vehicle to, as the name suggests, limp home or to a service station, rather than strand you by the side of the road. OnStar, the satellite-linked emergency communications system, is optional on both models.

Around town, the Impala is more than capable of negotiating rush-hour traffic. But it's on the highway, where it can stretch its legs — and you have room to stretch yours — that the Impala feels most at home. And even with the more powerful 3.8-liter engine, fuel economy for the LS model is estimated at 19mpg city/29mpg highway — on regular, unleaded gasoline. The base model provides an estimated 21mpg city/32mpg highway.



2003 Chevrolet Impala LS



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Jeep

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*Optional. **Always use seat belts. Remember, a backseat is the safest place for children 12 and under. Jeep is a registered trademark of DaimlerChrysler.

It's no surprise that you are seeing more and more Chevrolet Impala police and highway patrol cruisers in departments across the country. The new Chevrolet Impala police cruiser has become the choice of hundreds of law enforcement agencies because of its ability to handle the rigors of police work.

In just three short years, the current-generation Chevrolet Impala has rocketed up the sales charts, delighted owners,

made fans of industry critics and earned award after award. Take the wheel of this fun-to-drive sports sedan and you'll know why America has fallen in love with Impala all over again.

Audi: Upping the Ante

Those who follow racing — and certainly those competitors who follow Audi race cars, typically from a distance — are aware of the potential of the 610-horse-

power, intercooled, twin-turbocharged V-8 engines that power the Audi Infineon R8. These history-making race cars have earned Audi three straight victories in the 24 Hours of Le Mans, the toughest endurance race there is.

By the summer of 2003, a passenger sedan that traces its lineage directly to the Audi Infineon R8 race car and its V-8 engine will be available in the U.S., in limited numbers.

2003 Audi RS 6



Decades ago, Audi engineers recognized that safety and maximum performance don't necessarily contradict each other, but typically complement.

The 2003 Audi RS 6 will be built by quattro GmbH, the high-performance arm of Audi AG, parent company of Audi of America. Two quattro GmbH automobiles, the RS 4 and RS 2, are already legends, and are available only in Europe. Is America ready for a car like the RS 6? We'll know soon.

The RS 6 is powered by a significantly modified 4.2-liter V-8 with twin turbochargers. Horsepower is rated at 450,

but perhaps just as important, torque — the measure of pulling power — is rated at 415 lb.-ft. from a range of 1,950 rpm to 5,600 rpm. This suggests that the RS 6 is no peaky hothouse flower — an exotic that must be revved like a motorcycle to make power — merely pressing the accelerator.

The RS 6 is a real-world super car, a vehicle as capable of carpooling as it is ripping down the back straight of a racetrack. Audi expects a 0 to 60mph time of 4.6 seconds — for a five-passenger sedan.

The RS 6 transmission is a Tiptronic, adapting technology developed by corporate partner Porsche. The Tiptronic is essentially three transmissions in one — it's a five-speed automatic for effortless around-town duty. Or engage the "Sports" setting, and gears are held longer than normal on upshifts, and engage at higher revs when downshifting. Then again, you can shift the Tiptronic manually, using Formula 1-style "paddles" mounted at the driver's fingertips on the steering wheel, or by using the conventional floor-mounted shift lever. In keeping with the RS 6's mission as a driver's car, manual input overrides the current transmission setting whenever possible.

The Tiptronic also incorporates a Dynamic Shift Program (DSP), which gauges the driver's characteristics and selects from more than 200 available shift patterns to best match the driving style.

The powertrain is only the beginning of the RS 6's story. An all-new suspension system employs Dynamic Ride Control,

which uses input from onboard sensors to govern and adjust the hydraulic pressure at each shock absorber, separately, to promote level cornering and prevent dive under hard braking.

Those brakes, incidentally, are race-derived, and consist of massive composite 14-inch discs in the front, 13-inch discs in the rear, with Brembo calipers. Like the race car, the brakes are ventilated and cross-drilled.

Decades ago, Audi engineers recognized that safety and maximum performance don't necessarily contradict each other, but typically complement. The legendary Audi quattro all-wheel-drive system, for instance, offers all-weather, all-season surefootedness on the road along with a grip so astounding that Audi quattros have actually been banned from race competition, due to what officials termed their "unfair advantage."

The RS 6, of course, has a quattro permanent all-wheel-drive system linked to a Torsen torque-sensing center differential that directs power to the wheels that are getting the most traction. Those wheels are 18-inches and cast aluminum, with steamroller-sized 255/40ZR ultra-performance radial tires*.

Besides the expected antilock braking system, the RS 6 has Electronic Brakeforce Distribution, and an Electronic Stabilization Program (ESP). ESP computers monitor the vehicle's course and intervene automatically if there is risk of a skid. ESP can also seamlessly counteract oversteering and understeering by selec-



*For more information on performance tires, call 1-800-FOR-AUDI.

Delphi credits numerous automotive firsts to its extensive engineering heritage. These include the first electric starter in 1912.

tively applying light braking to one or more wheels until a maximum level of control is regained.

While Audi's theory has always been to give the driver the help he or she needs to avoid an accident, no technology is spared when it comes to occupant protection. The RS 6 has next-generation driver and front passenger airbags**, front seat-mounted side airbags, inflatable Sideguard side-curtain airbags with coverage from the A-pillar to the C-pillar, as well as front and rear passenger safety belts with Convertible Locking Retractors, child-safety rear door locks and the universal Lower Anchors and Tethers for CHildren (LATCH) System.

There's a tire pressure monitoring system, Xenon Plus high- and low-intensity headlights, front and rear fog lights, and a Parktronic Acoustic Parking System.

Inside, there's a Bose 200-watt sound system, a power sunroof, memory power front seats with electric lumbar support and heating for front and rear seats.

The leather-trimmed interior is, in a word, breathtaking — a continuation of the groundbreaking interior style of the Audi TT roadster. A matte aluminum shifter surround and Gray Poplar wood trim on the dashboard, door panels and center console add warmth. Carbon fiber trim is an option.

For those who were wondering where Audi's dedication to reliable, safe performance on the racetrack would lead — it leads to the RS 6. But every Audi built — from the sporting A4 to the luxurious A8 — benefits from what Audi has learned.

**Remember to always wear safety belts.

And continues to learn. The five simple tenets that govern the company's competition pursuits apply equally well to production vehicles. Your vehicle.

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Delphi Automotive:

Driving Tomorrow's Technology

Among retail automotive customers, Delphi is scarcely a household word. But the company's innovations make plenty of noise in the design, engineering and manufacturing sector, where Delphi is considered the premier "go to" company for seemingly simple solutions to the most complex problems.

With approximately 191,000 employees, 179 wholly owned manufacturing sites, 42 joint ventures, 53 customer centers and sales offices, and 32 technical centers in 41 countries, the Delphi footprint is global. While the company has been known as Delphi only since 1995, its multiple divisions, organized from a collection of smaller manufacturing concerns, have existed and evolved over 100 years.

Delphi credits numerous automotive firsts to its extensive engineering heritage. These include the first electric starter in 1912; the first in-dash car radio in 1936; the first power steering system in 1951; the first under-hood car air-conditioner in 1954; and the first production airbag in 1973.

Delphi's current and future projects are very nearly impossible to list. These range from the far-reaching, such as a second-generation solid oxide fuel cell technology that would allow the use of conventional fuels but result in a near zero level of emissions, to more immediate technology that makes a difference today, such as satellite radio systems and state-of-the-art diesel-injection systems.

At the top of Delphi's list of priorities is the company's commitment to, and leadership role in, safety technology.

Among Delphi's highest-profile projects is the RECOGNITION passive-occupant detection system. It includes a sensor in the passenger seat, which utilizes weight-sensing technology beneath the seat cushion. That sensor provides information to a computer controlling the air bag. Using sophisticated signal processing, the vehicle air bag computer decides whether or not to deploy the passenger air bag in the event of a crash.

Delphi's RECOGNITION system helps vehicle manufacturers meet the advanced air bag system specification currently required by federal regulation for all vehicles by model year 2006.

The system is adaptable to nearly all seat types without affecting seat crashworthiness or comfort.

"Market forecasts show a potential compound annual growth rate of more than 60% for vehicle safety systems," says Jeff Owens, president of Delphi's Delco Electronics Systems. "Given that growth rate and the high level of customer acceptance for this product, we see great potential

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CHEVROLET  CORVETTE

How hard is Delphi working on safety systems? As if your life depended on it.

expand other elements of our integrated safety system to support these customers." Six manufacturers, including General Motors and Ford, have already become customers for the RECOGNITION system.

But that's only a small part of Delphi's ongoing safety research. The company's portfolio of advanced safety products includes the following:

Hybrid braking utilizes "smart" rear electric brake calipers with an integral brake control function to manage braking force at the rear wheels, integrated via computer with the hydraulic front brake system. When the driver brakes, the computer can precisely adjust brake balance for optimum brake force distribution. "Engineers at Delphi's Dynamics Center have been developing braking systems for more than

65 years," says Jean Botti, chief technologist for the Delphi Dynamics and Propulsion Innovation Center. "Hybrid braking is at the forefront of braking technology."

FOREWARN collision warning and avoidance systems, which use laser, radar, infrared and long-range sensing devices, can help provide warnings for potential obstructions and forward collisions, as well as aid for backing up, blind spots, lane changes and roadway exits.

STAR is a customized air bag that offers advanced restraint capability to help provide greater protection in both belted and unbelted situations. "The STAR air bag is a groundbreaking product because its size, inflation rate and inflation level are adapted to the occupant in the vehicle seat," says James A. Bertrand, vice president of

Delphi and president of Delphi Safety and Interior Systems. The air bag's size and inflation rate corresponds to the occupant's size, seating position and whether or not he or she is wearing a seat belt.

A driver monitoring system can use a combination of biological sensors, eye tracking devices and vehicle performance monitoring to determine whether or not a driver is awake and alert.

Vehicle stability systems can help you avoid accidents by combining traction control, dynamic body control, drive-by-wire, and advanced braking and steering systems.

Road surface monitoring would reliably sense whether the road ahead is wet, dry, icy, rough or any number of conditions that could affect handling.

Automatic windshield fog control is a climate-control system that predicts fogging situations and activates defoggers automatically.

Delphi already has some of the newest most innovative safety and performance enhancements on the market, including two that are in use on the 2003 Chevrolet Corvette 50th anniversary model. MagneRide is a suspension control system that uses magnetic impulses to adjust the firmness of the suspension separately at each wheel, and MagnaSteer is a variable-speed power-assisted steering system that combines hydraulics with patented Delphi electromagnetic control technology.

How hard is Delphi working on safety systems?

As if your life depended on it.



Child's play it isn't: Arnold Greensher has a great idea that hasn't yet caught on.



DELIVERANCE

Two physicians are helping obstetricians avoid errors—and malpractice suits.
So how come the profits aren't rolling in? **BY IRA CARNAHAN**

UNITED PARCEL SERVICE DID IT FOR package delivery, McDonald's for burger-flipping; systemized the steps to deliver a service. Two doctors have done it for prenatal care. Their aim is not to save minutes but to reduce medical errors, and thus malpractice costs. The doctors, Arnold Greensher, 67, and Howard Roemer, 53, sell their recipe for obstetrical work through a tiny outfit

called Advanced Medical Systems in Colorado Springs, Colo. Their system consists of a flow sheet to track visits by pregnant patients, a detailed medical history questionnaire, end-of-visit handouts of dos and don'ts and a reference manual for doctors and nurses, updated three times a year by obstetrical experts, that outlines treatment for almost every situation a pregnant woman might encounter. Green-

sher says that of 750,000 deliveries under his system, only 8 have resulted in malpractice claims, compared with a claim rate 37 times worse (an estimated 1 in 2,500) in OB deliveries nationwide.

These guys aren't getting rich, and one reason could be that they don't have a dedicated sales force. Instead, with just two staffers, they deal with doctors and malpractice insurers mostly via mail and

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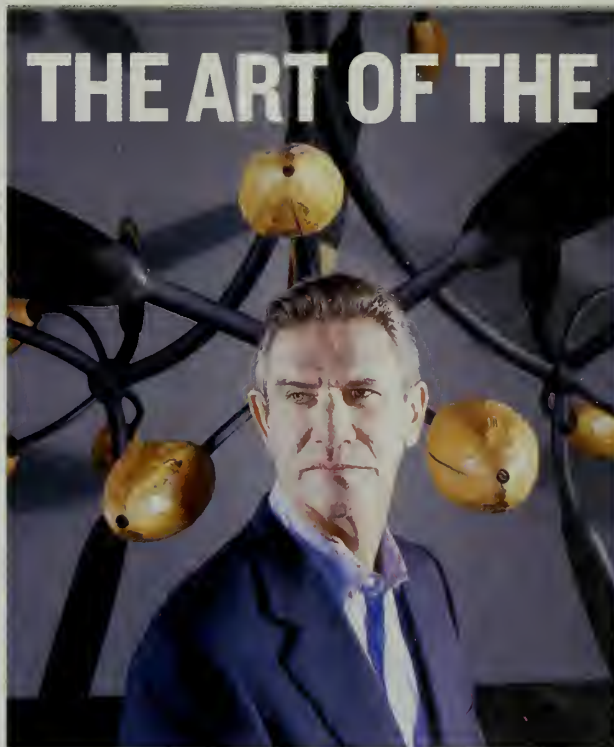
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phone. Insurers encourage doctors to buy the system (\$495 for up to 50 patients; \$7.50 for each additional patient), but often give it away. Greensher and Roemer netted a meager \$150,000 profit on revenue of just \$350,000 last year. Both have kept their day jobs—Greensher as a part-time medical director in Colorado Springs with the giant PacifiCare Health Systems; Roemer with a medical practice in Tulsa.

It would be a godsend if standardized procedures stemmed the flood of lawsuits against obstetricians. Last December St. Paul Cos., the nation's second-largest malpractice insurer, announced it was pulling out of the malpractice business after losing nearly \$1 billion in 2001. That capped a year when premiums for obstetrician-gynecologists rose a median 12.5%; some

practicing in south Florida now pay more than \$200,000 annually. With the typical obstetrician likely to face 2.5 suits during a career and with jury awards in medical malpractice cases averaging \$3.5 million, doctors and insurers are running scared.

Advanced Medical has made its biggest inroads in Colorado. The state's leading malpractice insurer, physician-controlled Copic Insurance Co., began suggesting its use in the late 1980s, providing it free to obstetricians and family practitioners. Since then Copic's average malpractice premium for OBs has dropped from \$62,000 to \$24,000. While other factors were at work—the state imposed a \$1 million cap on malpractice awards, for example—premiums for obstetricians have fallen much more than for other specialists. OBs used



THE ART OF THE STEAL

What does a battle-scarred real estate maven bring to a tech portfolio? A sense of how to exploit motivated sellers.

BY DANIEL FISHER

Attuned to the bottom of the market: Craig Hall.

IN THE 1980S CRAIG HALL ASSEMBLED A \$4 billion real estate empire—then published a 1990 autobiography with the fate-tempting subtitle *How I Survived the Texas Crash*. Two years later he filed for Chapter 11.

At the least, you can give this thrice-married entrepreneur credit for experience and persistence. After his trip to bankruptcy court in the early 1990s, Hall emerged with \$550 million in assets and an equal amount

of liabilities, but he managed to raise \$100 million and began buying Dallas real estate at what now look like ridiculously cheap prices. Today, on the strength of his real estate holdings, as well as loans and sales of property, his Hall Financial Group is worth close to \$300 million.

Having tasted the bottom in real estate, he now thinks he sees it in another sector—technology. Hardly an apostle of high tech, Hall says he hates computers; his secretaries

to pay the highest premiums of any of Colorado's doctors; now they're number five.

Advanced Medical may get a boost from a recent decision to go electronic. It is computerizing the service with the help of Medcomp Systems, a medical software firm in Chantilly, Va., with the idea of putting the system on either handheld devices or tablet PCs. Greensher says the electronic service will be pitched to vendors of electronic medical records systems and larger group practices rather than to malpractice carriers and individual practices. Physicians would pay either a per-patient fee or an annual licensing fee. The first gizmos should roll out early next year.

It is easy to see how such e-medical services could be expanded to include chronic widespread diseases that doctors

find difficult to manage—diabetes and asthma among them. Until then Advanced Medical will have its hands full with OB/GYN. Hollister, a big medical supply firm, and the American College of Obstetricians & Gynecologists both offer widely used products that are cheaper, if less complete systems, than Advanced Medical's. Then there's the challenge of convincing physicians that they aren't entirely at the mercy of malpractice suits if they give proper care and offer clear documentation. "They'd rather scream at plaintiff attorneys and have Congress enact legislation," sighs Greensher. Which Congress is not about to do: Just weeks ago a Bush Administration proposal to cap awards for pain and suffering at \$250,000 received the Beltway equivalent of a Bronx cheer. **F**

type his e-mails. Still, he does think tech is starting to look a lot like Dallas real estate a decade ago. Why? Because the investors who once placed such high hopes on it are finally giving up. Venture capitalists pumped \$45 billion into software companies from 1997 to 2001, reports Venture Economics. Now they're pulling the plug on anything that doesn't look like a sure success. Software firms that would have fetched \$20 million two years ago can be "bought" for little more than a piece of future profits on the sale of the company—or a fraction of earnings, if they ever transpire.

"When a market's turning, lenders foreclose and sell at the bottom," says Hall, 52, who got his start buying college rooming houses as a teenager in his native Ann Arbor, Mich. "I think we're at the bottom in tech."

So far Hall is just dabbling, using a vehicle called Skywire Software that he funded with \$4.5 million. Skywire acquires cast-off VC deals and folds them into a single organization that shares marketing, accounting and legal expenses. Skywire is tiny now, with \$6 million in expected revenues this year, but Hall wants to keep buying, shifting at least another \$5 million into tech and possibly much more.

Running the operation is Patrick Brandt, a 30-year-old marketing executive Hall picked up in an early acquisition. He likes unglamorous niche products like the "middleware" that insurers use to link various

databases. He also likes finished software products with at least one customer, so he can start generating cash in a hurry. Improvements can wait. "Version 2 is all the stuff customers wanted in Version 1," Brandt says. A recent acquisition is Thazar Solutions, which consumed \$14 million in venture capital building an insurance analysis tool used by Axa Re, among others. Thazar could generate \$1 million in revenue this year.

Will Hall's bet pay off? There are big risks: Unlike real estate, technology can walk out the door in a software engineer's head. But Hall has succeeded by betting on a trend before. He spotted the movement toward HMOs in the late 1970s, turning a \$111,000 investment in Independence Health Plan into \$31 million. (A gamble on a chain of racquetball centers, however, died with the fad.) Hall also pioneered the use of limited partnerships to finance real estate, assembling 72,000 apartments before Congress cut him off at the knees in the 1986 Tax Act. More recently, Hall doubled his money on Skyjet, an Internet corporate jet charter service he sold to Bombardier in 2000.

"Craig feels the market the way a musician feels music," says Trevor Cornwell, Skyjet's founder and chief executive, who got a \$450,000 initial investment from Hall after just one meeting in Vienna. "That doesn't mean there aren't some flat notes, but he's been able to produce some great hits along the way." **F**

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Source: NTT DoCoMo Corporate Website ① 1st quarter of 2002 (April 2002 to June 2002). ② ④ ⑤ As of end of July 2002.
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The i-mode service is only available to NTT DoCoMo's subscribers in Japan and other alliance partners' subscribers in Europe and Asia.

*1 Average monthly Revenue Per Unit *2 Calculated at \$1=¥120

*3 Includes subscribers for FOMA (3G), PHS, pager and other services.

*4 Source: Telecommunications Carriers Association <PDC(2G)+FOMA(3G)>

MONEY & INVESTING

The Life of a Vulture

Distressed debt is for high rollers like David Matlin. Should small investors dare to get in on this risky pursuit?

BY PHYLLIS BERMAN

DISTRESSED INVESTING—putting money into high-risk debt that most others won't touch—sure ain't what it used to be. Too bad for the hedge funds and institutions that dominate this field. A daunting \$17 billion poured into distressed securities last year (double 2000's inflow). Aim: to buy cheap bonds in hopes of scoring big in restructurings.

These hoped-for scores aren't abundant, though: Returns of hedge funds specializing in distressed paper have averaged only 2.2% over the last 12 months. That's a far cry from the 34% returns these funds earned in 1991 as the economy was pulling out of a recession. The difference: Last time there were many good companies with bad balance sheets; this time they're often bad on both counts.

Is anyone winning this game lately? Among vulture investors, one name is mentioned often with both envy and appreciation.

David Matlin has been averaging 40% returns annually since he started in 1994 running Credit Suisse First Boston's vulture fund. Okay, these returns aren't publicly available, but Matlin says his auditor Ernst & Young vouches for them. And few in the dis-

tressed-investing community are surprised by them. "I haven't seen actual returns, but that all fits together," says Thomas Cole, managing director at Deutsche Bank, which trades with distressed-debt scavengers.

Now Matlin, 41, is striking out on his own, moving his \$2.2 billion Matlin Patterson Global Opportunities Fund from under CSFB's mantle (the brokerage is providing 11% of his assets under management). As an independent oper-



Flying alone: Matlin leaves Credit Suisse.

ator he will continue to cater only to institutions. Nevertheless, individual investors can invest with pros, as we'll discuss in a minute. While the payoffs in distressed plays can be bountiful, we've noted in the past (*FORBES*, Apr. 2, 2001) that bonds of companies in Chapter 11 or headed there are often best avoided by solo investors. They're illiquid and very risky.

Example: In 1999 Matlin bought \$30 million in Healthcor, a home nursing company, which gave him control of it. Only then did Matlin discover an accounting-fraud problem. Healthcor had been billing the government for patients who had died, for instance. Matlin lost the entire \$30 million on that deal.

Yet Matlin, working from very deep pockets, makes up for these lemons with the occasional big payoff. For every ten distressed investments he makes, one to three are big moneymakers. His style is to buy into the sickest companies in the infirmity, often paying as little as 15 cents on the face value dollar. And he likes big swatches of junior bonds, unsecured securities whose extra risk scares away other investors.

Another Matlin ploy is to gain a controlling position by gobbling up the majority of the debt, thus giving him command of the creditors committee, which

True Junk

These mutual funds have sizable assets in shaky debt securities. Three take active roles in reorganizations; the Northern and Fidelity funds are passive players.

Fund	Total return 3/31/00 9/5/02 annualized	Assets 7/31/02 (\$mil)	Maximum sales charge	Annual expenses per \$100	Distressed assets (%)
Legg Mason Opportunity Trust	-23.10%	\$7,119	none	\$1.68	13%
Mutual Shares A	-9.50	1,555	5.75%	1.12	11
Third Avenue Value	-12.90	2,367	none	1.07	10
Northern High Yield	0.03	267	none	0.90	12
Fidelity Capital & Income	-10.58	2,363	none	0.79	8

Source: Lipper Inc.; companies.

this style of investing.

The key, of course, is to find an early-1990s-type deal, where the company is basically sound but has too much debt for its own good. Matlin has come across just that in Huntsman Corp. and Huntsman International (see p. 90).

In 2001 the privately held chemical concerns got hit by a surge in raw materials costs, which lopped its operating income (earnings before interest, taxes, depreciation and amortization), by two-thirds, to \$469 million for the next year. The companies found themselves unable to pay interest, and creditors urged a bankruptcy filing. Such a notion offended proud founder Jon M. Huntsman.

Huntsman expect to exit either via a public stock offering or a sale. If all goes well, Matlin will realize seven times his investment. Since Matlin's purchase, the commodity chemical business has begun to turn around. The companies posted \$229 million in operating income in the latest quarter versus a negative \$17 million from the year-before period.

Expect to hear more about Matlin and the monster bankruptcy of the day, WorldCom. Matlin has been buying WorldCom's debt, our sources say. Matlin won't comment on his exposure to the failed telecom giant, but he's likely buying the most junior, unsecured paper in the WorldCom capital structure such as the senior notes maturing 2031 with an 8.25% coupon. Recent price: 14 cents on the dollar. This carcass is so big that Matlin is taking steps to team up with other vultures to work on it—he won't invest more than 15% (\$330 million) of his fund in any one deal.

Can't small investors get in on restructurings like this? They can't via Matlin's fund. But we found three retail funds that have significant positions in distressed securities and try, as Matlin does, to get a say in restructurings: Legg Mason Opportunity Trust, Third Avenue Value and Mutual Shares. Third Avenue Value, run by venerable bottom-feeder Martin Whitman, daringly holds WorldCom, Qwest and Adelphia debt. Although the fund has stumbled in 2002, it can boast two prior good years. In the table we also list two junk bond funds with passive positions in bonds either in default or on the brink.

For every ten distressed investments he makes, **ONE TO THREE MAKE BIG MONEY.**

decides who gets what in the restructuring. He wants situations where the reorganization will be the most contentious possible, scaring off the faint of heart.

A typical success story is his 1994 involvement with Days Inn, a foundering motel chain. For \$45 million, he bought in at 30 cents on the dollar. After restructuring, he sold off properties to competing lodging chains and to an investment firm, exiting in 1998 with \$150 million, or roughly 100 cents on the dollar.

Another thing that sets Matlin apart from many of today's distressed investors is his willingness to swap his debt for equity. According to *The Private Equity Analyst* newsletter, his is one of the largest pools of money ever raised that's used for

For \$170 million, or 15 cents on the dollar, Matlin bought out 82% of the privately issued junk bonds from institutional holders like insurance companies and high-yield funds. He also injected \$160 million in cash into the companies. While he could have pushed Jon Huntsman out, Matlin respected the entrepreneur's operational skills and struck an arrangement with him: The reorganized Huntsman holdings would be 51% owned by the founder and 49% by Matlin's fund.

In three years, about \$600 million of the remaining \$4.6 billion of debt (mostly owed to banks) should be paid off and Huntsman's companies worth more than \$5 billion above debt. Then Matlin and

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The Hayek Hangover

THE REVISED SECOND-QUARTER GDP DATA CONTAIN A record-setter: Businesses reduced their investment spending for the seventh consecutive quarter, the longest string of negative quarters since 1947. This is why the economy is in the doldrums. We are suffering from a Hayekian hangover.

Friedrich von Hayek, a Nobelist and leader of the Austrian school of economics, developed a frequently overlooked business cycle theory just before the Great Depression got under way. For Hayek and the Austrians, things go wrong when a central bank sets short-term interest rates too low and allows credit to expand artificially. The result is that businesses overestimate the value of long-lived investments and generate an investment-led boom—where a plethora of investment dollars is locked into excessively long-lived and capital-intensive projects.

Investment-led booms sow the seeds of their own destruction. They end in bankruptcies, a crash in capital spending and an inability to increase prices.

During the hangover the slumping economy is vulnerable to what Austrians termed a “secondary deflation,” where banks call in loans and are stingy about extending credit. Households produce their own version, liquidating riskier assets (like stock mutual funds) and moving into cash and government bonds. In the economy at large, investment and consumption suffer.

The seeds of a secondary deflation are beginning to sprout in the U.S. The war on terrorism will water them. Among other things, the war effort has diverted the Bush Administration’s attention from virtually all things economic. So the White House lacks a consistent and plausible pro-growth agenda to build economic confidence.

As it is being prosecuted, the war has other baleful economic consequences. In a fight against elusive terrorists, the only certainty is that it will last a long time, consume many resources and expand the modern regulatory state’s coercive powers.

In other words, the likelihood of a double-dip recession is rising ominously. What should investors do? Stop worrying about the return on your capital and start worrying

The great Austrian economist described the causes and dismal aftereffects of an investment boom. For the time being, forget stocks and buy safe bonds.



about the return of your capital. Until the double-dip recession is history and the economy is registering sustained growth, stay away from stocks.

In my Nov. 18, 1996 column, I cautioned that the stock market was in a bubble phase, and when compared with bonds, stocks were expensive. Such caution seemed out of place in the wild final years of

the bull market, but it would have saved you money in the long run. Over the past six years long Treasuries have averaged an 11.4% annual return, the S&P 500 only 7%.

When it comes to bonds, no outfit is bigger or better than the Newport Beach, Calif.-based Pimco family of bond funds, headed by bond guru William Gross. Pimco’s bond funds have consistently outperformed their benchmarks, as well as their competitors.

One warning: They aren’t cheap. Pimco Total Return’s annual cost is 90 cents per \$100 in assets, about four times what comparable Vanguard funds charge. Total Return also has a 4.5% entrance commission; Vanguard has none. A good way to avoid the load and reduce the expenses somewhat is to buy Pimco funds through a 401(k) plan.

Just which of the 29 Pimco funds should one choose? Since writing “A Hot Tip” (Nov. 2, 1998), I have favored inflation-indexed Treasury bonds. If you hold these until maturity, you will be guaranteed the real return of your capital (the \$1,000 principal floats up with the cost of living), plus a real rate of interest. Place 50% of your bond investments in Pimco’s Real Return fund, which is primarily invested in inflation-indexed securities. Over the past three years its annualized rate of return has been 12%, easily outshining the S&P 500 index, which has declined at a 11.9% annualized rate.

Another 25% should be allocated to Pimco Total Return, the world’s largest bond fund, which Gross oversees personally. Gross has a knack for pumping up results without taking undue risk. This potpourri of bonds, ranging from top-graded corporates to German sovereign debt issues, has registered an annualized return of 9.5% over the past three years.

Expect more weakening of the greenback? The remaining 25% should be go to Pimco’s Global Bond Admin fund, which racked up a 14.4% annual gain over the past year (average 5.6% over the past three). It is available for 401(k)s only. Bonds are boring. That’s a nice problem to have in this kind of market. **F**



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By John Buckingham, Editor

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1. **Future Performance.** Past performance may not be indicative of future results. Therefore, you should not assume that the future performance of any specific investment or investment strategy will be profitable or equal to corresponding past performance levels.
2. **Portfolios.** Our three portfolios all adhere to the investment principles and philosophies as put forth in *The Prudent Speculator*. There is no difference in the selection methodology among the portfolios, but each portfolio is unique, meaning that different undervalued stocks were selected over time. All portfolios were selected in real-time with each purchase and sale announced in the newsletter and/or on our three-times-a-week Hotline messages. While Millennium and PruFolio are unleveraged and hypothetical, TPS Portfolio is leveraged and real. The current composition of each portfolio is disclosed on our website, alfrank.com.
3. **Historical Performance.** While TPS Portfolio has been in existence for 25 years and has been active throughout numerous market environments, Millennium and PruFolio have much shorter histories. Of course, during their brief existence, market and economic conditions have generally been weak.
4. **Performance Calculations.** (A) Total Return Rankings of *The Hulbert Financial Digest*: Performance results calculated since 1980 by proprietary and undisclosed methods of the publication's editor. (B) *The Prudent Speculator*: Performance results calculated by actual total return, including effects of margin leverage, margin interest charges and brokerage commissions. (C) *Millennium Portfolio*: Performance results calculated by unleveraged total return, not counting dividends or trading costs. (D) *PruFolio*: Performance results calculated by unleveraged total return, not counting dividends or trading costs.
5. **Comparison to Performance Indicators.** Long-Term S&P500 Index is the Standard & Poor's 500 Index with dividends reinvested since 3/10/77. S&P500 performance does not include the effects of trading costs which would likely have reduced its annualized rate of return. Year to date performance returns of major indices are price-related only, with the effects of dividends reinvested and trading costs not included.
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Biotech Buys

IF YOU THOUGHT THAT INVESTING IN THE S&P 500 WAS tough this year, welcome to the nightmare of biotech. Down 47% in 2002 (as measured by the Nasdaq biotech index), this is a sector that is nerve-racking in the best of times. To pick a stock intelligently you have to know about exotic areas of medical research that are unfamiliar to most doctors. Even pronouncing the names of a company's products can be a challenge.

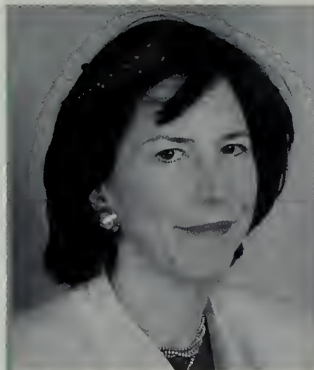
During a bear market, investors flee from biotech firms that are merrily burning through cash and are ten years away from having a commercially viable product. Doubts arise about whether they will ever be able to return to Wall Street for more capital—and even with all the capital in the world they may never turn their research into a usable drug. If the drug is a godsend to patients, it may still cost the discoverer several hundred million dollars to get it to market.

In an ideal world venture capitalists raise money for some smart biotech pioneers who are developing a plausible compound. Perhaps a giant drug outfit kicks in additional capital to get dibs on rights to market the potential new product. If scientific experiments pan out, the biotech firm launches an initial public offering and receives still more cash to carry it through patient trials. Next, the new drug receives Food & Drug Administration approval and starts generating sales and fat operating margins. Not many biotech firms get this far, but both Amgen and Genentech did. Another possible happy ending is that the fledgling business is bought out by the huge pharmaceutical company it partnered with earlier.

But this beneficent process has been spoiled lately. The new-issue market is moribund. Big pharma, suffering from expiring patents and criticism over rising drug prices, is less generous dispensing early-stage research money to biotechs. There's an even worse problem: The Bush Administration's shocking negligence in delaying naming an FDA chief. Without leadership, the FDA bureaucracy's response to biotech innovations is to say either "No" or "Give me more information."

Despite all the current travails, though, you can make a strong case that the 21st century will be the age of biotechnology, just as the 20th century was the age of communica-

**This volatile sector
has gotten killed
this year, making it
a very attractive
play for people who
want to take a
chance on getting
in on the next
Amgen.**



tions and the 19th the age of transportation.

First, the tools are available to create new wonder drugs by rapidly searching through tens of thousands of potential compounds: Biotechers now can employ extremely fast computing power and can decode any DNA sequence. Second, the aging baby boomers have created a demographic demand for

new drugs to attack the chronic diseases of aging. Plus, the big pharmaceutical companies are starting to need fresh blockbuster products to replenish their patent portfolios.

Meanwhile, the present confluence of miseries has created a chance to buy into a great sector at some fabulous prices. For a passive play, buy an exchange traded fund. **Biotech Holders Trust (82, BBH)** is down 37% this year and gives broad exposure to the group. This fund is weighted by market capitalization, so Amgen and Genentech represent 52% of the ETF's portfolio.

Another way to participate in a broad-gauge fashion is to own an actively managed closed-end fund. **H&Q Healthcare Investors (15, HQH)** is one you can buy cheaply, at a 19% discount to its net asset value. (Offsetting the bargain here is the expense drag: 1.5% of assets annually.) The Hambrecht & Quest closed-end owns stakes in 75 companies, including CV Therapeutics, maker of heart drugs, and Cytac, provider of advanced Pap smear tests.

Investing in individual biotech companies is risky, of course, but for the courageous, such forays may yield a bonanza or two. A favorite of mine is **Durect (6, DRRX)**, which offers a series of drug delivery methods that automatically give patients medicine on a schedule. From biodegradable implants to match-stick-size titanium pumps inserted at the base of the spinal column, this company's products deal with chronic ailments such as acute pain. This last system is now in Phase III trials, the final stage before the petition for an FDA permit. Durect's \$60 million in cash should last it through 2003.

Another biotech I like is **United Therapeutics (12, UTHR)**, one of the few to get FDA approval this year—for its lead drug, Remodulin, which treats pulmonary hypertension. With approximately \$150 million in cash, and a yearly burn rate of \$40 million, it has the financial stability to take on the sole existing drug for this illness, GlaxoSmithKline's \$200 million (annual revenue) Flolan. Remodulin will take a lot of patients away from Flolan within the next three years. **F**



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Wheels of Fortune

IT'S NOT A GOOD IDEA TO FALL IN LOVE WITH A STOCK, BUT I have to admit to having fallen in love with an industry this summer—recreational vehicles. Think of leaning into a long curve on a country road, while passing under the shadow of eastern Oregon's towering Wallowa Mountains. You're behind the wheel of a rolling home, complete with kids and toys and kitchen and comfortable beds. I think this is the way to travel, and these days a lot of people agree with me. That fact makes a buying opportunity.

Recreational-vehicle stocks are classic growth cyclical, and right now we're early in the economic upturn that's likely to fuel this leisure-loving industry. As baby boomers move into the prime RV-purchasing age group of 55 to 70, industry watchers forecast a 21% gain in the number of motor-home owners by 2010. These land yachts can cost \$100,000 or even more, and guzzle gas (8 miles per gallon is common). Their advantages of comfort and mobility, though, outweigh the cost problem.

Solid RV growth during the 1990s was reversed in 2000 (sales down 6.6%) and 2001 (down 14.4%), according to the Recreational Vehicle Industry Association. But this year through July, whether because of post-Sept. 11 reluctance to fly or plain old pent-up demand being released, vehicle shipments surged 30%, to 186,500. These numbers are for self-propelled units only, although towed campers are on the rise, too.

So this past summer has been a good one for houses on wheels. While the final count isn't in, the National Association of RV Parks & Campgrounds reported that summer reservations before the Labor Day weekend were up a healthy 7% to 15%. At the nation's two largest motor-home rental agencies, CruiseAmerica and El Monte RV, rental volumes are more than 30% higher than last year. Revved-up rentals typically translate into higher sales as consumers develop a taste for the RV lifestyle.

Three small-cap players lead this market: **Winnebago Industries (37, WGO)**, **Monaco Coach (16, MNC)** and **Thor Industries (36, THO)**. Yes, I last recommended Thor to you in the spring (see my *Apr. 15 column*) as the little-known name behind a classic icon of the American road—the

Motor homes are enjoying a sales surge that's partly from post-Sept. 11 worries but mostly from demographics. Baby boomers are now square in the RV-buying zone.



earnings, Thor is the priciest of the bunch.

Although Thor holds up the lower-cost end of the business, Monaco rules the road for "highline" coaches, defined as vehicles with wholesale prices greater than \$120,000. Last August Monaco purchased SMC Corp. for \$37 million to become the biggest U.S. maker of large, luxury motor homes.

The wobbly economic recovery hasn't sapped demand for luxury models. For the six months ended in June, Monaco's sales surged 40% to \$607 million and net income rose 93% to \$21 million. I expect future results to be just as glossy now that Monaco has had time to integrate the Beaver and Safari lines acquired with the SMC purchase. Monaco's trailing price/earnings ratio stands at an affordable 15.

Winnebago, whose name is almost synonymous with RVs, is the most celebrated brand in the field. This is a brand that enjoys television exposure in the grand-prize spotlight on *Wheel of Fortune* and *The Price Is Right*.

Not everyone is getting one for free, however—the company joined the record-sales club with revenue of \$247 million in the May quarter, up 26% from the year before. For the first three fiscal quarters ended in May, sales hit \$609 million, up 21%, and net income was \$38 million, up 40%. Such results whopped my firm's expectations for revenue and earnings.

Credit the stellar performance to improvement in gross margins that stem from applying manufacturing advances, which produced higher product volumes to meet strong consumer demand for the Winnebago brand. Winnebago's price/earnings ratio also is 15. Given the company's prominence in the field, expect powerful earnings to keep driving on. I wouldn't be surprised to see Winnebago stock top \$60 within the next 18 months.

Overall, while I expect price/earnings ratios to remain relatively constant in this sector, there's every reason to believe that earnings will follow a growth curve as pretty as the one you'll see coming around the mountain in the Wallowas. **F**



Marc Robins is editor-in-chief of *RedChip Review*, an investment advisory service on small- and micro-cap stocks. Visit his home page at www.forbes.com/robins.



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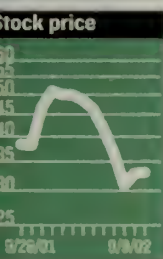
The Mouse Will Roar

DISNEY'S MICHAEL EISNER IS ABOUT AS POPULAR ON WALL STREET LATELY AS SCROOGE McDuck. But as fashionable as it is to condemn the **WALT DISNEY CO. (15, DIS)** chairman, let's not forget the treasure chest he's sitting on: theme parks, broadcast stations and a huge collection of copyrights.

The post-Sept. 11 downturn in tourism, poor ratings at ABC and depressed advertising spending conspired to drag down Disney's fiscal third-quarter net income (ended in June) by 7% to \$364 million; revenue was off 3% to \$5.8 billion. Disney's shares are trading at a third their 2000 level.

Too cheap, says Salomon Smith Barney entertainment analyst Jill Krutick. While the multiple of 28 times trailing earnings looks high, ABC's ad revenue is expected to pick up and people will return to the theme parks as the economy improves and terrorist fears dissipate. She anticipates a revival in the movie operation, despite recent bombs like *Bad Company*. New management at the ABC network will cure its overreliance on passing fads like *Who Wants to Be a Millionaire*. Also encouraged by Disney's strong balance sheet and cost controls, Krutick looks for earnings per share of 70 cents in 2003, up from 2002's expected 55 cents. —Brett Pulley

Hammered



THE ROOF HAS FALLEN IN at **HOME DEPOT (33, HD)**, the world's biggest home-improvement chain. The stock is down 37% from its February high, even though this is far

from a troubled company.

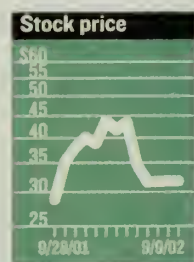
Home Depot (1,446 outlets) suffers by comparison with rival Lowe's (809). In the quarter ending early August, Lowe's pushed net income up 42% from a year earlier, sales up 22% and same-store sales up 6.8%. Corresponding growth numbers for Home Depot: 28%, 12% and 1%. But the disparity will narrow over time, says Mark Petrie at Monkson Capital Management, and Home Depot is the cheaper stock, at 22 times trailing earnings against 27 for Lowe's.

The real issue here is whether the home improvement sector is reaching saturation. Petrie says it isn't, and Home Depot will be able to expand among both still-enthusiastic graying do-it-yourselfers and younger types.

—Emily Lambert

Well Insured

ACE LTD. (31, ACE) REPORTED A HORRENDOUS \$443 million quarterly net loss after the terrorist attacks, but like other property/casualty insurers it is benefiting from the subsequent increase in premiums. In this year's first half the Bermuda-based carrier reported its best results ever. Harry Fong, analyst at Blaylock &



Partners, predicts a 20% earnings increase in 2003, to \$4.15 a share.

Ace drew good notices recently by recruiting Evan Greenberg, once heir apparent to father

Maurice Greenberg at American International Group, to run reinsurance and also to head all international business. Ace has a strong global presence, writing policies in 50 countries. Last quarter saw net premiums grow 60% in Europe and 40% in Asia.

—Christopher Helman

Wholesale Trouble

CDW COMPUTER CENTERS (46, CDWC), A \$4 billion (2001 sales) computer reseller to small and medium-size businesses, is pro-

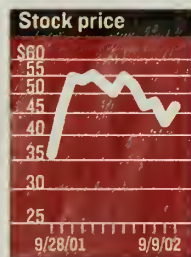
jecting higher sales and profit numbers for the September-ending quarter.

Why? Microsoft's software upgrades for programs licensed after Aug. 1. Traditionally users would buy a computer and upgrade when they wanted. The new Microsoft regime requires customers to pay an annual fee now for future upgrades, or forgo the fee and pay a higher price when the upgrades arrive. Companies can no longer use old software, upgrading at a leisurely pace—ergo, there was a pre-Aug. 1 buying binge for the software CDW sells. The danger is that this is a one-time event that will rob future earnings.

Changes at Compaq are also dogging CDW. Following its merger with Hewlett-Packard, the hardware maker is trying to sell more via catalogs, in the manner of Dell Computer, and will be less reliant on resellers to move its boxes.

With \$4 billion in trailing-12-month revenue and \$170 million in profits, CDW trades at 24 times earnings and is generally healthy, but it will feel some pain. Short it and cover at \$34.

—Daniel Kruger



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NEXT-GENERATION NETWORKING

SMARTER AND MORE PROFITABLE

Despite market cap erosion, the network technology sector is alive and well—and more focused than ever on business value

SURE, CAPITAL MARKETS HAVE

been less than kind lately to tech and telecom stocks. And, yes, unrealistic expectations about the bottom-line performance of companies in those sectors have come back down to earth. But that doesn't change the fact that networks and network technologies remain in high demand. Businesses and consumers alike continue to demand networks with greater

capacity, higher speed and any-time/anywhere availability.

Economic realities, however, have significantly affected how vendors go

about meeting that demand. In the heyday of tech-sector growth, equipment manufacturers could simply churn out bigger, faster products with more bells and whistles. In today's market, on the other hand, the focus has shifted to demonstrable business value.

"The next generation of networking solutions must either make enterprises more productive or make service providers more

profitable," says Michael Noonan, VP of National Semiconductor's Wired Communications Group. "If they don't deliver these primary benefits, they will be irrelevant to end users and to the equipment manufacturers who are our customers."

Noonan believes successful solutions will therefore combine networking with manageability to reduce the cost of provisioning and ownership. "In addition, networking must address security concerns not only with strong encryption but also through robust authentication and authorization," said Noonan.

According to Noonan, National Semiconductor is uniquely

positioned to meet these needs with semiconductors and software that combine networking, security and manageability. He adds that National Semiconductor's analog and digital integration expertise allow the company to deliver these solutions at the lowest possible cost per function.

SMARTER SERVICES

For hard-hit telecoms to survive, they're going to have to do more than just cut their costs. Raw network bandwidth has become such a cheap commodity that service providers can't make much money selling it no matter how operationally efficient they become. The bandwidth business also doesn't give them much of a way to differentiate themselves from their competition—leaving them vulnerable to high churn rates. So, to increase margins and keep customers, they need to develop and deliver more compelling value-added services. These services can range from prioritized delivery of traffic for online gaming to specialized secure network failover services that enable global corporations

to ensure nonstop business operations.

But to deliver such services, networks will have to be more intelligent and programmable than ever. "You can't make money in today's market with a network that's big, fast and dumb," declares David Perkins, vice president and general manager of Motorola's Networking & Computing Systems Group. "You have to be able to deliver differentiated services—and that requires infrastructure with much more sophisticated functionality than we typically have in place today."

Smarter devices, however, obviously tend to be more expensive to manufacture. So to give service providers the intelligence they require at a price that allows

Networking solutions must make service providers more profitable.

MICHAEL NOONEN
Vice President
National Semiconductor's
Wired Communications Group

them to still make a profit, equipment vendors must be able to take a more leveraged approach

to the design and production of the diverse devices that comprise the network.

That's why Motorola has adopted a "platform-based" approach to component design. "With our Smart Networks Platform, we maintain certain standards at the processor level, the chip-set level and the system level. This gives our customers the ability to leverage code and other intellectual property across their solutions line and across successive generations of products," he says. "And, if you do it right, this platform-based strategy will lower your production costs as well as your development costs."

COPING WITH UNCERTAINTY

In addition to delivering greater functionality at less cost, network equipment vendors also have to give service providers the ability to more quickly and painlessly respond to the inevitable and unpredictable changes in business and consumer markets. That means that their components have to be programmable.

Programmability enables equipment vendors and their service provider customers to avoid

Standard Products

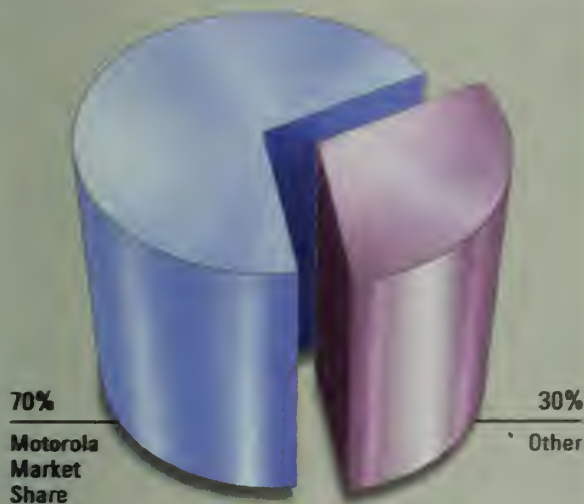
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- Support for Ethernet, Fast Ethernet, ATM, Multichannel HDLC, UTOPIA II, USB, PCMCIA and TDM
- Tools and support from Motorola's Smart Networks Alliance

Networking the New Network

National's end-to-end solutions are making it happen.

The communications industry is transforming. The growth of the Internet, the convergence of voice, video and data, Voice over IP: all are creating new demands on the networking infrastructure supporting them. OEMs and consumers alike are clamoring for new technologies. They want more bandwidth. Faster data transfer rates. Better security. Increased functionality. Lower costs and power consumption. In short: solutions that offer next-generation networking, security and manageability. And they want those solutions to cover the whole networking spectrum—from PCs and servers back through routers and switches to the high-speed backplanes at the network's core.



Only a leader in wired communications could hope to address challenges so far-reaching. And one company has already stepped up to the plate. National Semiconductor. By leveraging our leading-edge analog and digital capabilities, National is pioneering high-speed, end-to-end networking solutions for a host of markets—to meet both the communications needs of today, and the most exciting visions of tomorrow.

PCs and Servers



From the start, National has been in every PC: from our patented UART serial port through our SuperI/O that integrates all interface functions (lowering costs and boosting reliability). And now, we're pioneering new approaches to networking, security, and manageability—the areas so key to PCs and servers today.

Networking. National's innovative family of Fast Ethernet solutions is designed for ease of implementation. Our DsPHYTER™ and MacPHYTER™ devices are ideal for power-, cost-, and space-sensitive PC applications (as well as applications like network adapters and printers, gaming consoles, and broadband modems). And our gigabit Ethernet solutions have proven gigabit MAC and gigabit physical layer technologies, which will be integrated for Server LAN on Motherboard (LOM) applications.

Security. These days PC security is more critical than ever—and National's Safekeeper™ PC21100 raises the bar to an entirely new level. A Trusted Platform Module (TPM) compliant with TCGA specification, this single-chip device verifies the security status of desktop and mobile PC platforms. It also ensures system and data integrity through public key cryptography, authenticates data sources, and protects confidential data—such as credit card numbers and passwords—that are separate from the Pentium CPU. And because it's hardware-based, SafeKeeper is invulnerable to the attacks that easily break software-only security solutions.

Manageability. With National's "mini" Baseboard Management Controller (mBMC), server manufacturers now can offer IT managers remote access to manage server system repair and control—at less than half the cost of other BMCs on the market. Our single-chip mBMC is an affordable, pre-programmed solution to remote management, and boasts all of the required functionality of version 1.5 of the Intelligent Platform Management Interface (IPMI) specification.

Switches and Routers

Drawing on our range of technologies, National is bringing real speed to high-speed networks. Our 16-port gigabit switch is the most cost-effective, high-performance one available—a boon both to enterprise productivity and service providers' profitability.

Storage Networking

National and iReady have combined their industry-leading intellectual property into a single core to deliver the industry's first fully-integrated, line-speed transport offload solution: EthernetMAX™ core. This next-generation gigabit Ethernet solution is fully compliant to the current iSCSI specification, and meets even the most robust and secure storage networking needs with optimal performance.

High-Bandwidth Infrastructure Equipment

The low-voltage differential signaling (LVDS) standard is the most popular differential data transmission standard in the industry, and National is the leader whose LVDS delivers gigabits per second of speed while consuming mere milliwatts of power. National offers the largest and most innovative portfolio of LVDS high-speed solutions for infrastructure equipment, including: mobile phone basestations, edge and core routers and switches, multi-service access equipment, DSLAMs, and high-definition video. Our LVDS devices also provide SCAN testability that complies with IEEE 1149.1 Standard for Boundary Scan Test. In addition, National invented at-speed BIST for LVDS: to deliver the high-speed interconnect-test capability that ensures reliability for infrastructure equipment.

In 1994, National also introduced Bus LVDS (BLVDS) to extend the benefits of LVDS to heavily loaded backplanes. Today, National offers three classes of BLVDS parts—standard transceivers, SerDes devices that serialize data and clock into a single serial stream, and special functions devices.

And our BLVDS technology serves a market space ranging from the network infrastructure to data center applications (where high-blade density demands high-performance backplanes).

As the demand for high-speed communications through faster data transfer rates continues to rise, National is rising to meet it. Our leading-edge technologies span the communications spectrum to boost performance while containing costs and slashing time to market. Drawing on our 43-year track record and multifaceted capabilities, we're forging dynamic partnerships with OEMs to address the evolving needs of their markets with precision. And that's good news, not only for the next generation of products—but for the generations that follow.

For more information, visit us at www.networks.national.com

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the deadly delays that can result from the typical chip design and delivery cycle. Instead of having to install new hardware to upgrade network capabilities, equipment vendors can supply new code to service providers that not only upgrades the equipment, but also delivers new features and provides new functionality. Enterprise customers can also benefit from this rapid upgradability.

"Programmability can radically accelerate time-to-market," says Motorola's Perkins. "It can also extend 'time-in-market' for network equipment, since it lets you upgrade your units in the field." Programmability may also provide an opportunity for equipment vendors to increase their own top lines by charging fees for new software packages.

In addition to helping service providers capture new revenues by capitalizing on emerging value-added services, programmability is also necessary for coping with the uncertainties of today's mercurial communications markets. "Nobody knows exactly what's going to happen with a new standard like IPv6, or what

the real killer app is going to be for 3G wireless," observes Eric Manton, senior analyst at market research firm In-Stat/MDR. "So your ability to quickly and cost-effectively respond to events is largely contingent on the programmability of your equipment."

Manton has another hot tip for those following the network infrastructure market: Look East. Chinese electronics manufactur-

You can't make money in today's market with a network that's big, fast and dumb.

DAVID PERKINS

Vice President and General Manager
Motorola's Networking &
Computing Systems Group

ers such as Huawei and ZTE may use the chips that Motorola and National Semiconductor design and produce to build network equipment that delivers the same performance, intelligence and programmability as American products—but at a fraction of the price. "Imagine if you could suddenly buy a car for \$1,000," suggests Manton. "That's the kind of disruption we could experience in

the network equipment market."

Such pricing could be a god-send for struggling network service providers, enabling them to execute significant infrastructure overhauls inexpensively enough to achieve real profitability. But their real salvation will only come when they crack the code for service value-adds. Will it be digital movies-on-demand? Outsourced e-mail and videoconferencing services? Wireless access to enterprise databases and ERP systems? "You have to know what your customer is willing to pay for and how much they are willing to pay for it," says Manton. "Everything else is just talk."

Regardless of which services wind up bankrolling the next generation of intelligent networks—and which service providers successfully capture those markets—it's clear that those networks will have to be built. The current lull in network build-outs is most likely just the calm before the storm, a natural consequence of service providers having temporarily gotten too far ahead of the market. When demand rears its head again, the industry will need all the creativity and innovation it can muster to respond. ■

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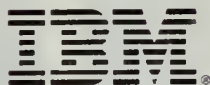
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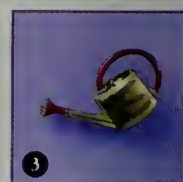
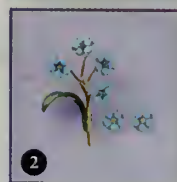
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The fabulous bejeweled *objets* of Peter Carl Fabergé. Signature art collections. Antique toy boats and soldiers. Presidential papers. Napoleonic furniture. The Château de Balleroy. Old Battersea House.

Over his lifetime, Malcolm Forbes had an eye for the extraordinary and he and his sons built a stellar collection for *Forbes* magazine. Many of these exceptional items have served as inspiration for — or been expertly reproduced by — some of the world's renowned craftsmen who have created an inspired line of fine and distinctive products that make up The Forbes Collection™.

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A man in a white shirt and tie, holding a glass, standing in a room with large windows. The image is slightly blurred, giving it a candid, lifestyle feel. The man is positioned on the left side of the frame, facing right. The background shows a bright, airy interior with large windows and a modern aesthetic. The overall tone is professional yet relaxed.

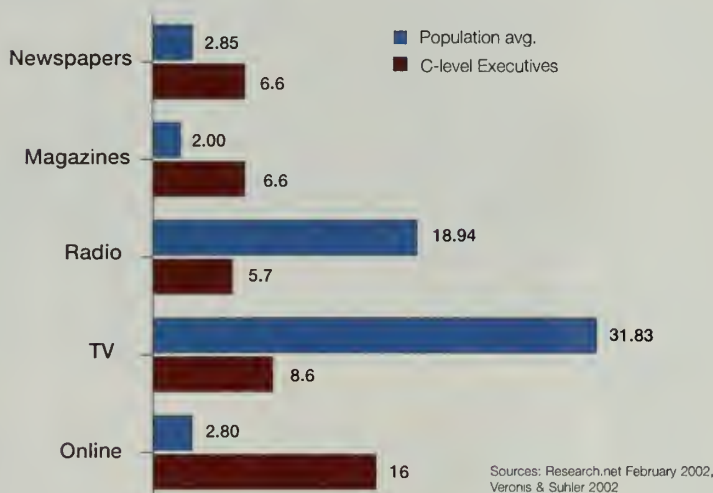
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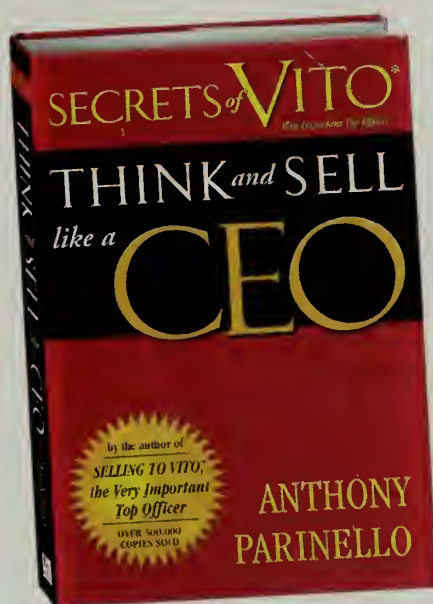
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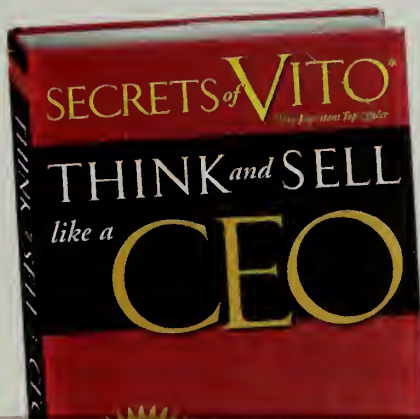
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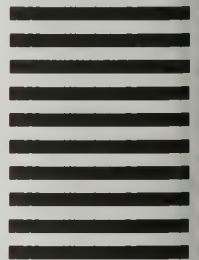
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Forbes

WHAT WOULD IT HAVE BEEN LIKE TO BE A GUEST AT SAN SIMEON? NOW YOU CAN FIND OUT—IN A way not possible since the 1940s. Near Hearst Castle, in a valley once part of the publisher's 250,000-acre ranch, a hacienda welcomes paying guests. Like the Castle, it was designed by architect Julia Morgan. Like the Castle, it sheltered Hearst's and actress Marion Davies' famous friends. And, like the Castle, it contains surprises—not all of them pleasant.

One might suppose that Hearst, having bought boxcar loads of artwork for his Castle, would have been content to let Chaplin, Churchill, Cary Grant and other guests lounge around indoors, admiring urns and fingering the tapestries.

Not so. He expected guests to do what he preferred to do himself—get outdoors. Swim. Saddle up. Bat the tennis ball around. Far from being the wizened geezer depicted in *Citizen Kane*, Hearst remained robust—zippy, even—into his 80s, to the consternation of younger, more sedentary folk. "I'll be damned if I'll be roused out of the hay by a cow-bell every morning," complained Hollywood director Eddie Sutherland before decamping.

To Hearst, the Castle was a place for gazing out, not looking in—a vantage point from which to see his most beloved possessions. Those included 35 miles of California coastline and oaks older than the Declaration of Independence. In August 1930, while vacationing in Europe, he was informed that a wildfire had come close to burning the Castle before finally consuming a few trees. Cabled Hearst: "Would rather have building burn than trees."

To get guests out onto the landscape, he and Morgan conceived "destinations." Some, such as an observatory and a beachfront saltwater pool, were never built. Others were, most notably the Hacienda, a three-block-long Mission Revival-style efflorescence of domes, bell towers and graceful colonnades. To get to it, guests rode horseback 20 miles up and over the coastal mountains, descending into a valley of oaks and chaparral that looked in the 1930s (and looks now) pretty much the way it had when Spain colonized the area. (The third of California's missions, San Antonio de Padua, built in 1771, stands close by the Hacienda.) Saddle-sore riders could refresh themselves, stay to dinner, then return to the Castle by Hearst-summoned plane or car.

The Hacienda played this role until financial troubles forced Hearst to sell it—and 160,000 acres—to the U.S. military in 1940. It sits today inside Fort Hunter Liggett, 21 miles inland from the coast, halfway between San Francisco and Los Angeles. (For details, see forbes.com/hacienda.) Six years ago, with zero fanfare, it began accepting paying guests.

What should you ex-

Stay at San Simeon

Relax and chow down where Hearst, Marion Davies and their guests once did.

BY ALAN FARNHAM

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pect if you stay there? Laughably low prices. The most you can pay for lodging—\$125 a night—gets you the gold-dome-topped suite once reserved for Hearst: two bedrooms, a dining room with clerestory windows, a living room with a massive hearth. At the opposite end of the building, down its 225-foot frontage, a kitchen serves dinner (\$13.25 for an 8-ounce tenderloin fillet).

This is not the Four Seasons. It's an old, dusty building on a military base. Tanks clatter by. Toilet tissue is industrial. There's shag carpet and furniture that looks like it fell off a Sam's Club truck—ten years ago.

Recreation? You can tour nearby San Simeon, of course; and in the Hacienda itself you can admire one of Julia Morgan's finest interpretations of mission architecture. The place makes a convenient base for exploring wineries of the central coast, among California's best. You can walk to the nearby Mission (beautiful, with a courtyard of roses and grapevines), go bowling at the base's alley, swim in a tiny pool or drink martinis shoulder-to-shoulder with military types at the Hacienda bar. Hunters can shoot wild boar—an activity that would have scandalized animal-loving Hearst.

So, all in all, an odd spot. What should be your attitude toward it? Positive. Experimental. You should celebrate its authenticity: After all, it was intended for use not just by the William Powells of the world but by working cowboys and ranch hands. The Castle's own furniture ain't all that great. Hearst bought serviceable sofas, chairs and couches by the gross from department stores in San Francisco and Los Angeles.

Finally, remember how he used San Simeon. Like the Castle, the Hacienda is a place from which to take a long, pure drink of landscape. The hills—brown velvet—look at twilight like something out of Maxfield Parrish. And then there are the trees: The man who owned museums' worth of art was not amiss to think these gnarled and asymmetric oaks among the most gorgeous sculptures he possessed. **F**



Then and now: Hearst's celebrity-and-cowboy Hacienda.



Warhol would have approved: Paige Powell's dog Sherlock gets his 15 minutes in a portrait by Roger Henry.



Sit!

It may not appreciate, but at least a portrait of your pet will deliver psychic dividends.

BY KIRI BLAKELEY

WHAT SELF-RESPECTING art collector would hang a portrait of Fido next to a Picasso? A fair number, it seems. "I'd rather sell my Rembrandt than my Beau Bradford," says oil heiress

Sandra Stream Miller, former wife of fashion designer Nolan Miller. She also owns works by Degas, Renoir and Erté. But it's the portraits of her Welsh terrier Winston (now deceased) and of two Brussels Griffon puppies that she esteems

the most, having commissioned them in 1985 from California artist Bradford.

While you have to be a pretty rabid pet-lover to commission such works, you don't necessarily have to be a philistine. "It's an ancient art form," says Paige Pow-



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Beauty in the beasts: pet portraits by (clockwise from top) Bradford, Oatman and Burns.

ell, who spent 20 years as an art curator and photographer. "For centuries, court paintings were often portraits of people with their pets."

Powell herself has spent at least \$20,000 on portraits of her two dogs, and proudly hangs them (the paintings, not the dogs) alongside the rest of her collection, which includes Andy Warhol's portrait of Yves Saint Laurent's terrier, and a rendering by Jean-Michel Basquiat (Powell's former boyfriend) of two chimpanzees.

If you're lucky or shrewd or both, Bowser might someday fetch more than slippers and the newspaper. Just don't count on an overnight capital gain. A portrait of a Newfoundland hound commissioned in 1803 by Frederick, Duke of York, second son of King George III, sold for \$3.7 million in 1999.

Some portraitists:

Beau Bradford, 52, Los Angeles, Calif.

Fee: \$5,000 to \$10,000

Commissions per year: 10

Clients include: Hugh Hefner, Richard Donner (movie director), Billie Milam Weisman (head of Frederick Weisman Art Foundation)

If you ever thought Van Gogh's "Irises" would be perfect if only your dog or cockatoo were in it, then Bradford is for you. He was working as a fashion model in Paris when Andy Warhol convinced him to become an artist and move to New York, where he started adding friends, then their pets, into replicas of famous works. Today he rarely paints humans at all, which suits him fine. "Dogs don't complain that the portrait doesn't look like them," he says.

Ronald Burns, 47, Napa, Calif.

Fee: \$15,000 to \$150,000 (for a 15' X 7')

Commissions per year: 6

Clients include: Nick Faldo (Masters-winning golfer), Brian Boitano (Olympic gold medalist figure skater)

Burns' style has become extremely collectible. Reproductions of his deft kitty and pooch work sell for \$600 to \$2,000; prints for \$20. A pharmaceutical company offered him \$500,000 to license his work for marketing a pet medicine, but he declined: "A collector wants a unique piece of work—not one that can be found at Wal-Mart and RiteAid." Travel to spend a few days with the animal, in

order to absorb its personality, is extra: expenses plus \$500 to \$1,000 a day.

Constance Depler Coleman, 75, Cincinnati

Fee: \$5,500 and up

Commissions per year: 10

Clients include: Oprah Winfrey, Oscar de la Renta, Mrs. Andrew Carnegie Rose

She began, 50 years ago, by painting the type of caricatures that show dogs drinking in a bar. Now the artist of choice for several Forbes 400 members, she licenses her work extensively, earning royalties of about \$100,000 a year. Her portrait of Rocky—a sad-looking Great Dane draped over a sofa—sells countless birthday and get-well cards for Marcel Schurman.

Rachelle Oatman, 40, Milan, Italy and New York City

Fee: \$2,000 to \$6,000

Commissions per year: 24

Clients include: designers Jean-Paul Gaultier, Valentino and Princess Caroline of Monaco

Oatman specializes in anthropomorphic paintings of pets dressed in historical or contemporary fashions. Want your Boston terrier in a Chanel suit? She's your woman. In Europe, Oatman says, people take their animal portraiture more seriously. "I get more respect there," she sniffs. Claude Taittinger, of the champagne family, had his bull mastiff rendered as Napoleon III.

Roger Henry, 37, Los Angeles, Calif.

Fee: \$6,500 and up

Commissions per year: 5 to 10

Clients include: Good Will Hunting director Gus Van Sant

Henry's portraits are so finely detailed they appear, at first glance, to be photographs. Edward Hopper's influence is seen clearly in such examples as "Sherlock" (see p. 374). Like Bradford, he prefers four-legged subjects: "You don't have to deal with a dog's ego."

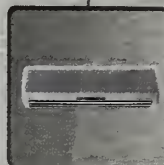
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CAVIAR STARTED OUT AS PIG SLOP—AT LEAST IN western Europe, where, until the late 1800s, fishermen ripped the slimy egg sacs from sturgeon and fed them to their swine. How this same gunk was transformed into a delicacy is the subject of journalist Inga Saffron's fascinating new book, *Caviar* (Broadway, \$24).

Saffron was the *Philadelphia Inquirer's* Moscow correspondent from 1994 through 1998, a dramatic time for sturgeon roe in the former U.S.S.R., where for 70 years a government-sanctioned cartel had strictly controlled the market. In 1991 the collapse of the Soviet regime spawned caviar chaos, sending millions of dollars' worth of glistening black eggs sloshing into new and unfamiliar markets.

Russians had been enjoying caviar since medieval times, first as a religious dish on nonmeat days and by the mid-1700s as one of a range of appetizers served by nobles and well-off merchants. By the 1800s Russian aristocrats took to carting live sturgeon with them when they traveled, so the fish could be sliced open and their roe salted and served fresh. The fish traveled in tanks pulled by horse cart or train, or they were towed up the Volga in cages and then stocked in gigantic ponds on country estates. Gigantic because the sturgeon, a bottom-feeding species as ancient as the dinosaur, can live for a century and grow to 25 feet.

Fascinated by Russians' cravings, belle époque Europeans started indulging in caviar. Americans caught on, too, and caviar established itself as an international luxury.

The Germans had their own source of sturgeon in the Elbe River, as did Americans in their waterways. But the rage for eggs, coupled with increased industrial development and pollution, decimated fish populations. Within 30 years there was hardly a sturgeon left in the Elbe or the Delaware.

Back in the Caspian, the sturgeon got a reprieve. The Russians were too busy fighting to go fishing—first in World War I, then in establishing the Bolshevik state. The Communists nationalized the caviar industry, controlling all aspects, from fishing to processing to trade. Production dipped only when factories started damming rivers and building plants that dumped sludge into spawning grounds. In response, the So-

viet cartel raised prices and kept the profits rolling in.

The most dramatic part of the story unfolded over the last dozen years, as the caviar cartel collapsed and poachers, entrepreneurs and organized crime rushed in to fill the void. New, low-priced brands proliferated, showing up at airports, at Macy's and on the Internet. Traditional top-end purveyors, such as Paris-based Petrossian, struggled to maintain the mystique. In point of fact, Saffron argues, "when caviar is properly made and eaten fresh, the different brands are as much alike as two kinds of baking soda." The key is keeping the tiny eggs at a steady temperature of 26 degrees Fahrenheit. Freezing is a no-no.

The great news for consumers: Sturgeon can be farmed. It's not an easy business, given that the fish take a good nine years to grow from hatchling to roe-producing adult. But sturgeon farms in the U.S. and France are now producing top-notch caviar at bargain prices. Stolt Sea Farm near Sacramento, Calif. sells its Sterling Classic Caviar, made from white sturgeon, for \$35 per ounce (www.sterlingcaviar.com). Petrossian's Tsar Imperial Beluga, in contrast, goes for \$98 (www.petrossian.com). In a taste test, Stolt's was firm, buttery and less salty than Petrossian's, which was slightly mushy and had a moldy aftertaste.

But if consumers are happy, the wild sturgeon are not. Continued pollution and rampant Russian poaching severely threaten the ancient beluga. Since 1998 the Convention on International Trade in Endangered Species has covered Caspian sturgeon.

Caviar traders are supposed to certify all imported goods, but, writes Saffron, this treaty

only limits the cross-border caviar trade and does not prevent overfishing in Russia. Inspectors can only do so much.

Caviar made headlines last month, when a coalition of environmental groups got the U.S. Fish & Wildlife Service to consider a proposal to list the beluga sturgeon as an endangered species, which would make importing beluga caviar into the U.S. illegal.

Officials won't make a decision for another year, but even if they declare the beluga endangered, that won't stop poachers or black marketeers. Beluga prices would surely skyrocket, fixing the caviar even more securely at the top of the food-pricing chain. **F**

From pig slop to posh shops: beluga sturgeon eggs.



Caviar Emptor

The unlikely history and precarious future of a briny delicacy.

BY SUSAN ADAMS

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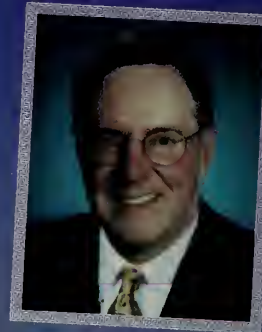
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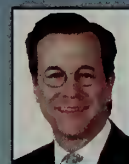
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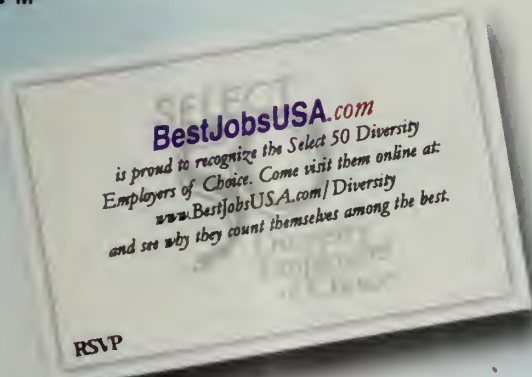
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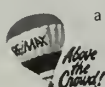


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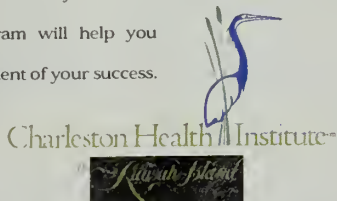
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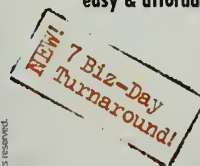
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THOUGHTS

On the Business of Life

You can't make it with \$179 million: That would be a million bucks shy of what it takes this year to be one of the 400 richest people in America. Last year, with a mere \$150 million, you'd have been on the list. The real excitement, the real significance of this ongoing saga of the 400 is not in who's on and who's off. The real payoff for America is that from the competitive free-for-all among our free enterprisers, 2 million new jobs were created, and the country's GNP grew 2.7%.

—MALCOLM S. FORBES (1986)

A few thoughts from Forbes 400 members past and present:

Ego drives lots of people to do strange things. Control your investments.

—JOHN HENDRIX

There is only one reason someone might go to a shrink after making lots of money. And that is because it's a surefire way to get more press.

—MARK CUBAN

I'm kind of a bum these days. I am not a greedy person, and I don't have to make the last dollar there ever was.

—THOMAS FRIEDKIN

Giving away money is as difficult as making it.

—HAROLD LENFEST

I'm a nut about education. Without education you're chattel for life.

—CHARLES BAUER

On his success: I had a major advantage: I was raised poor.

—KENNETH LANGONE



On her empire: It's an odd combination of business and creativity. We have our fingers in the whole pie now.

—MARTHA STEWART

We have embraced the 21st century by entering such cutting-edge industries as brick, carpet, insulation and paint. Try to control your excitement.

—WARREN BUFFETT

The only reason people might be interested in my opinion is the fact of whose son I am. I'm not sure I have much right to share my opinion with the world.

—GORDON PETER GETTY

We know intuitively that charity works. The challenge is making it more efficient.

—TODD WAGNER

Losing money isn't the thing I mind as much as giving up on companies. It's a game to see how much you can do.

—CRAIG MCCAW

I really have no interest in notoriety. I would love to be the least-known NFL owner in the country.

—STEPHEN BISCIOTTI

A Text...

*Let the Lord be magnified,
which hath pleasure in the
prosperity of his servant.*

—PSALMS 35:27

Sent in by William Rosenberg, Broomall, Pa. What's your favorite text? *The Forbes Book of Quotations: Thoughts on the Business of Life* is given to senders of Bible texts that are used.

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